THE CHINA WEEKLY REVIEW

密勒氏評論報

A Weekly Newspaper Established In 1917

August 21, 1948

SENSELESS TALK

AN EDITORIAL

Can Economic Reform Succeed?

J. R. Kaim

Korea Moderates Move Left

Hugh Deane

India's Year Of Independence

Harin Shah

AN UNFAIR ATTACK

AN EDITORIAL

VOLUME 110 $1,500,000 NUMBER 12

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LETTERS From The People

Comments from readers on current topics are cordially invited: their opinions, however, do not necessarily represent the views of The China Weekly Review.

What China Needs?

To The Editor:

Formerly, few of my students liked to attend English composition class because of the lack of ideas. But since I assigned the *Review* as supplementary reading material, their attitude toward English writing has changed entirely. They get new ideas from the factual and critically written articles of the *Review*; even the dullest student is now able to write a few lines on his composition paper.

Below are six compositions written by six students of mine on the subject, "What China Needs?," which, I think, may be of interest to you as well as to your readers.

1. Unification and Good Administration —by Muk Kuo-hu.

.....China needs unification. To attain it, she must stop the Civil War which has brought forth nation-wide inflation and corruption. China also needs good administration which is more important than strong military force. We have American - equipped soldiers in the Northeast, but important cities there have fallen into the Communists' hands all the same....

2. A Basic Reform in the Government —by Sun Hwei-chu.

....Because of the rebellion of the Chinese Communists, China is still in a situation of confusion and distress. To wipe out the Reds, China needs good and efficient officials, i.e., a basic reform in the Government.....

3. Self-Reliance—by Wang Shing-teh.

....Only by self-reliance can China be saved from her present state. General George Marshall said last year, "China must do much before the US can do more." It was severe advice to us Chinese. Let us rely on ourselves and fight forward to pull China through.

THE CHINA WEEKLY REVIEW

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4. Economic Reform— Kao Chung-pao.

....Poverty is the root of corruption and graft, so it is not until China is economically recovered that the problem of corruption will be solved. This, of course, needs peace first in China....

5. Democracy—by Kuo Keh-shou.

...Lack of democracy is the source of China's present illness. Democracy means true freedom and equality....Democracy will gain support from the people. The government must be a government of the people, by the people and for the people..

6. A Great, Capable Statesman—Hsu Yun-teh.

China is like a scarlet-fever patient, it urgently needs a good and efficient doctor. This doctor must possess a good knowledge of the medicine he wants to use so as to kill effectively all the bacteria (the Communists and the corrupt officials). He must be also very skillful at operating.....

SUN TZE-HSU.

Nantung, Kiangsu
July 30, 1948

Recognizing Bandits

To The Editor:

The following talk (in an interview with a reporter of the *Hsin Sheng Wan Pao*, Hongkong) is reported by one of the staff leaders of the 154th Defense Company, at Chaichung, Shataukok, near the border of Kowloon and Kwangtung. This Company was recently attacked by Communist guerrillas on both July 12 and 16 and suffered great losses, and the report can assure you and your readers that the KMT will never be able to eliminate the Chinese Communists, even with the help of American troops in addition to US economic as well as military aid for which Nanking has sold the prestige of all the Chinese people.

"The Communist forces in this area never have a definite form. Nearly all the *lao pai hsing* here are 'bandits'; they work on the farm or take care of the children at home. But in a single instant, they get together and fight the defense troops. Last month in a battle at Puchieh, a town on the Canton-Kowloon line, the first attackers among the 'bandits' were four peasant women. They suddenly pulled out weapons from the waist belts beneath their mud-spattered shirts and made an assault on several Nationalist officials. As soon as soldiers in large numbers arrived on the spot, they retreated. But the troops only fell into a prearranged trap of grenades hidden underground and suffered great injuries. A similar thing occurred in recent attacks by the Communists. Unless you are able to

capture them on the spot, you can never recognize them later when they have put away their arms: they are good law-abiding people, working on the farm or taking care of the children at home."

S. W.

Hongkong
July 22, 1948

World War III.

To The Editor:

The explosive atmosphere in Europe leads most people to believe that World War III is just around the corner. Looking at things calmly, however, the corner may not be near enough to those who expect to live for another five or ten years.

On her Western frontiers, Russia seems too vulnerable to wage a war against a major Power. The German invasion almost up to Moscow during World War II must have destroyed many of her important fortifications to a considerable and disastrous extent, insofar as her defense is concerned along that part of her territory.

Russia's eastern frontiers, on the other hand, are quite vulnerable to air attacks, although her ice-bound ports may render an invasion by land unprofitable to a potential enemy. This explains Russia's desire to retain Port Arthur for as long as she considers it necessary and is strong enough to do so in the East.

Russia's strongest potential enemy being America, it may not be out of place to consider the position of this Power. By air, the US could attack her from all directions and with good effect. Unfortunately, the final success of a real war does not depend only on aerial attacks. The extent of Russia's territory, too, would demand a tremendous amount of money and material for the U. S. A. effectively to bomb Russia from the air. Without the atomic bomb, such bombardments could hardly be gratifying to the already over-taxed Americans, particularly the working class.

When Hitlerism ran amuck, democracy and anything non-Nazi were against it. When war was launched against Hitler, many people were glad to fight Hitler with all their might. When the Japs foolishly attacked Pearl Harbor, the supremacy of the white race was at stake. So the Japs, too, had no chance against the supporters of "democracy."

Russia, however, is looked upon by the working class throughout the world with sympathy. A war against Russia must, therefore, be eyed by the poor majority of humanity differently from a war against Hitler and the Japs. The laboring class in America and other parts of the world might react badly in World War III insofar as "democracy" is concerned. They may not revolt against their governments, but their sympathy toward "the other side" could be manifested in all sorts of sabotage to make an honest World War III costly for the capitalist countries and last very long. By "honest" war is meant the usual army and navy maneuvers and aerial bombardments.

A "blitz" war could be launched against Russia by the other Powers, in order to force a quick decision. This would necessitate bombardments by atomic bombs. However, the effects of atomic bombs being terrific, a war of that sort could also bring about the destruction of humanity and, possibly, a large majority of the white race. Such a war would thus benefit the colored races, if these were not involved in it. The atomic bombs, having been invented by the white race, could react as a boomerang, if they were to be dropped in non-Asiatic areas. Surely, the thoughtful white races would

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not wish to destroy one another by means of those bombs!

Putting two and two together, I personallly believe that World War III is still far away and may not come at all. What is happening in Europe now cannot be more than squabbling among those who are merely afraid of their own shadows. Unless one of them is too sure of victory and is capable of preventing the total destruction of all the others, the Powers that be are not likely to come to serious blows for some time to come.

PAO TZU-YU.

Shanghai
August 11, 1948

Violent Change

To The Editor:

The resurgence of Japan under the wing of America has aroused much attention in China. Many patriotic movements by the students have been held against America and her indulgence in controlling Japan. But all these acts, I think, merely signified the mournful feelings of Chinese intellectuals: and they will never help things unless we Chinese people all wake up at once.

It is apparent that we can have no right to prevent Uncle Sam from backing Japan: and also never will America change her attitude towards the latter through any of our movements. We know clearly that during the Sino-Japanese war, America was regarded as a staunch friend of China. But now this friend, as the facts show, is getting more apathetic to us. Why? The answer may be that China has been on the road toward collapse on account of the civil war and the incompetence and corruption of the government. But let us behold the rising Japan in the east, a defeated country at the end of World War II. It is easy to see that America is building Japan as a bulwark against Russian expansion and at the same time in order to provide the US with her most profitable market in the Far East. Of course, China, an old country, backward in industry, with her politics and economy out of order, cannot be expected to do much. Perhaps this is why Uncle Sam has recently become apathetic and has turned his attention to the Japs. While we should not be jealous, we should consider this new development. It is generally admitted that unless the KMT and the CP have sense enough to bury the hatchet, the crisis will not be ended. When this internal strife will come to an end, only God knows. Is history repeating itself? If so we really wish that World War III would break out at once; for we cannot bear this life of suffering any more. Now, we would rather have a violent change in which a quick result would be brought about than the monotony of the present appalling situation.

WU CHUNG-SAN.

Yinang, Hunan
July 30, 1948

Prisoner Dissents

To The Editor:

In reply to the July 19 letter of the Shanghai Jail's Governor in your issue of July 24, in which he emphatically states that since he assumed office, "all cases of conditional release have been handled according to law and forwarded to competent authorities, and not all who have served the specified period are entitled to conditional release, but only those who have behaved well while in jail are accorded such a privilege," I would like to make a few remarks on the following two points:

(I) Point One concerns the Governor of the Shanghai Jail. According to a letter of complaint filed by a recently released prisoner, Mr. Chang Chuen-ping, with the Shanghai City Council (see translation of the news story under Point Two), 26 prisoners belonging to the first batch of applicants whose applications had been approved by the Jail Authorities were entitled to conditional release, but why is it that only three of them were given such a release? Is it not a fact that before a prisoner is given the application forms, his record while in the jail must be reviewed by the members of staff of the Shanghai Jail at their regular business meeting? If a prisoner does not qualify, the reason is given and he receives no application forms. So, on receiving the application forms and having them filled to the satisfaction of the Jail Authorities, the prisoner is undoubtedly qualified.

The Governor of the Shanghai Jail has his responsibilities. It is not enough for him to say that he has forwarded the applications for conditional release to competent authorities. It is his duty to find out why the so called competent authorities have shown a great partiality in transmitting such applications to the Ministry of Justice and ask for a thorough investigation into this matter.

(II) Point Two concerns the Shanghai High Court. According to Mr. Chang Chuen-ping's letter, it is obvious that the "competent authorities" mentioned in Mr. Kung's letter must be none other than the Shanghai High Court and it appears that while the Governor of the Shanghai Jail may have forwarded to the Shanghai High Court qualified prisoners' applications for conditional release, it is the Shanghai High Court that has shelved most of such applications, for reasons only known to the court itself. A translation of *Shun Pao's* story is given below:

"Conditional release is delayed by the 'travelling' of official letters. A prisoner who had been released upon the completion of his term made an appeal to the City Council. Mr. Shen Chuen-ping, recently released from the Shanghai Jail upon the completion of his term, filed a letter yesterday (July 19) with the Committee of Human Rights of the City Council, asking for the simplification of the procedure relating to official letters in order that prisoners may be given conditional release to turn over a new leaf. It was alleged that during this year over 50 prisoners, whose applications for conditional release had been approved by the Shanghai Jail with the exception of only three, were not given such a release because of the slow "travelling" of official letters. Several months ago, Mr. Shen's name had been included in the list of the first batch of 26 prisoners approved for conditional release by a meeting of the Jail Authorities. The Jail Authorities, on January last, forwarded the list to the Shanghai High Court for transmission to the Ministry of Justice for final approval. On last March 7, a reply came from the Ministry of Justice, which granted conditional release only to three persons, including one Mr. Chang.

When a ceremony in commemoration of giving conditional release to these three persons took place in the Shanghai Jail, the news became known to all other prisoners. This is undoubtedly due to the fact that the Shanghai High Court sent the applications of only these three persons to the Ministry of Justice and that the applications of the other 23 prisoners included in the said list must either have been purposely shelved or have lost their way while 'travelling.' As a result, these 23 persons, as well as all subsequent qualified applicants, have thus far been deprivd of the privilege of being given conditional release." (*Shun Pao*, July 20, 1948).

Will the Shanghai High Court be forthright enough to answer Mr. Shen Chuen-ping's challenge and tell us why it has shelved most of the applications for conditional release?

PERPLEXED.

Shanghai
July 31, 1948

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The Emperor's Clothes

To The Editor:

Thousands of students were bombed out of Kaifeng and thousands of students of Honan University, through thick and thin, took themselves wearily to Suchow, and there found refuge. The long, hard travel was over and schoolmates got new hope and new courage to go on.

It was a hot morning in July when a certain paper brought us great rapture, for its attractive headlines stated "3000 sets of military uniforms presented by President Chiang."

Everyone fell into a golden dream.

By July 6, our schoolmates had received the long-awaited presents from President Chiang. But they were disappointed. "Ideal and fact are never the same, never at all." The uniforms were far inferior to those they dreamed of.

Now let me describe the uniform. The ROYAL UNIFORM is yellow in color, made of village cotton cloth, so rough that without troubling your fingers you can get rid of your itching. The lower part is a pair of short trousers, that closely clings to your thighs. The upper is too tight to button and is so long that it would prevent your buttocks from catching cold. As you turn it up, at the left-hand bottom corner you can find that it was made in the 28th year of the Republic. Historical, venerable and glorified uniforms have we got!

All the same, though rough and unsuitable, the Royal Uniform is yet quite effective. You can ride on the train or bus without a ticket and enter the cinema half price.

Once two schoolmates while on their way to the cinema were asked by an M.P. "Which part of the army do you belong to? Why aren't you in full uniform?" They replied "We are students of Honan University."

"Students? Why do you put on military uniforms?"

"It was presented by the President."

"President?.....grrr...."

The M.P. dared not to ask more. So you see. Who says the Royal Uniforms are no good for us?

LINAN.

Suchow, Honan
August 12, 1948

Hongkong Smuggling

To The Editor:

More than 20 business establishments were recently reported to have closed down due to the general deterioration of trading conditions here. Most of these firms dealt in imports and exports of general merchandise and the postwar boom enjoyed by them in this British colony, is but a dim memory of yesterday. One sure sign that business is stagnant, is that prices, with the exception of food and housing, have came down from 60 to 150 percent during the past two years. A five-tube radio receiver costing $1,000 soon after the surrender, is now priced at $250. A refrigerator at $2,000 was considered a good investment. It is now sold at half the price and payment can be made in instalments.

In contrast to other businesses, food and realty dealers are doing a roaring business. The population of this tiny colony is now 2,000,000—double the prewar figure—with further increases expected. This surplus population, accepted not without resentment by old-timers, causes the Government and local community a perpetual food and housing problem. Twice as much food and an equal amount of housing is required and the means of acquiring these, especially the former, are many times more difficult than prewar days. The resultant effect is that food and housing prices, while not following the general drop, are still on the incline.

In a gallant attempt to solve this problem, the Hongkong Government, in one sweeping order, recently cut hotel rates from 60 to 180 percent. The affected parties howled loudly and retaliated by cutting water and electricity supplies. Consequently, the Government shamefully backed down, rescinded the order, and made a scapegoat of the Quartering Officer, one P. F. Eardly.

The decline in small-time smuggling does not mean that smuggling from this colony into Chinese territory has ceased nor does it mean that the Anti-Smuggling Pact between China and Hongkong is a success. On the contrary, this line of illegal business has now assumed a form of small-scale military operation, for smugglers are reportedly using naval craft and convoys in conducting their "business." It is a well-known fact that the largest smuggling rings operate from Chinese territory and are powerfully backed. It is largely due to this fact that preventive authorities were, and still are, helpless in their attempts to effectively halt large-scale smuggling. Recently, a garrison at the Shayuchung Custom post, was wiped out by armed bands, variedly identified as Communists, so-called Democratic People's Army and guerillas. As a result, more than ten other stations along the Kwangtung coast were evacuated leaving large tracts of territory unguarded except for occasional sea patrols.

As long as Hongkong serves in the dual capacity of a base for arms supply to the dissident groups and Communists and as the focal point for big-time smuggling against whose powerful backgrounds the Customs is almost always powerless, smuggling can never be stamped out, pact or no pact

WONG YU-HSI.

Hongkong
August 6, 1948

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Vol. 110 Shanghai, Saturday, August 21, 1948 No. 12

Senseless Talk

THE question of public utility rates has brought forth about as much senseless talk from official and unofficial quarters as we have observed in quite some time. Whether or not utility rates are too high, too low or just right should be a relatively simple matter to ascertain, but, for one reason or another, a great many people are doing their best to confuse the issue. Not all of the "confusers" and "confounders" are working toward the same goal, however.

The basic facts of the situation, we believe, are that utility charges, along with everything else in this inflation-ridden country, including copies of the *China Weekly Review*, are constantly increasing in price and the average Shanghailander finds it harder to make ends meet with each passing month. Whenever a country experiences inflation of a serious nature, certain things happen, no matter whether the country be Germany, the United States, Hungary, England or China. Inflation does not make an exception for ancient Cathay just because it is known as the Middle Kingdom and therefore thought by many of its inhabitants to be proof against many of the problems besetting other parts of the world. Inflation is always caused by the Government's failure to balance its budget and by its failure to raise sufficient funds to meet the deficit by means other than debasing its currency. If an individual writes worthless checks he may live well for a short time until his creditors catch up with him. If Nanking continues to finance its military and civil functions by issuing printing press money which has virtually no value other than that which the citizenry care to attach to it, it automatically falls in worth.

China's inflation has been growing for about 10 years and has now reached the stage where virtually no one with common sense has any real confidence in the currency. That is, no one in their right mind expects to be able to buy as much with CNC$100,000 next month as can be bought with that sum today. This has been going on for a decade and the people understand the pattern quite well. Therefore their confidence in the currency is limited and they react accordingly, buying as much as they can and as quickly as they can. This in itself speeds the tempo of inflation, since people are constantly making purchases, attempting to lose as little as possible while they hold the currency. If this continues, there finally will be a cost of living index twice a day, instead of twice a month. Then a large part of the citizenry will spend most of its waking hours buying and selling, trying to get rid of even pocket money within hours or minutes because the merchants will be marking up their prices every hour, every half hour. At this time, if there still is no monetary reform, a large part of the population will have become impoverished and CNC will have become just so much waste paper.

This is the trend of inflation, no matter where it may be. According to some local economists, we have already entered the stage known as hyper-inflation which means that the money today depreciates in value faster than the Government issues it. This is largely brought about by the public's psychological reaction, and the consequent physical reaction of spending every cent as fast as possible.

In such a situation it is merely academic to talk of arresting prices, whether it be utility charges or the sales figures of rice or magazines. The best way to stop this price spiral would be to throw all CNC into the Whangpoo and start out with a new currency which was backed by two things: Something of value such as bullion or other property of the Government, and a sound taxation system coupled with a plan for Governmental economy that together would mean a balanced budget. Under the present condition—an impoverished Government engaged in a full-scale civil war—the idea of such a state of affairs coming to pass is like believing that one can reach up and take hold of the moon.

Various suggestions for sound, economic methods to halt or at least slow down the rate of inflation have been offered by competent observers, many of them having appeared in the columns of this publication. However, so far there have been few honest remedial measures attempted and most have been so weak or so limited in scope as to be foredoomed to failure.

Presumably a solution will be found. Of that we are sure, since all countries have eventually succeeded in doing so and this country, which has a recorded history of a few thousand years, will be no exception. Sometimes a vigorous government has taken the necessary drastic steps early in the game, while at other times a weak, indecisive government has waited until chaos reigned and it became no longer possible to escape or delay reform. One way or the other, China will end her inflation. Time—and we shall not have to wait very long from present indications—will tell us which type of solution will be employed here.

Meanwhile, the silly argument about utility rates continues to consume men's time and valuable space in the local newspapers which might well be devoted to more enlightening and valuable topics. Some individuals charge that

the various utility companies are over charging and therefore are waxing fat at the expense of the citizenry. Other individuals recommend that the utility companies be "ordered" to maintain their current rates and to "ignore" the inflation. Such statements come from people who are either complete ignoramuses or who would like to see the utility companies bankrupt themselves by supplying service below cost. Some of the more reasonable observers, who realize that utility rates cannot remain constant while everything else, including raw materials and labor, increases in price and who also realize that the average Shanghailander is having difficulty in paying his utility bills, have suggested a Government subsidy.

Any way you look at the situation, it is evident that the whole thing is a losing game. The answer cannot be found by holding endless meetings between members of the City Council, the overworked Mayor, and the Public Utilities Bureau. All are caught in the same trap. Unless a drastic solution is found soon, Shanghai will simply have to get along without electricity, water, gas, telephone service, public transportation, etc. The day is fast approaching when the utility companies can no longer meet their payrolls. Do the City Councillors who advocate a "freezing" of utility rates believe that the thousands of workers of these companies will work free until they and their families starve? Do they believe that the coal and oil companies, the machine companies and all the other firms, and their respective workers, which supply the utilities with raw materials will supply said materials and labor free of charge because the City Council thinks they should?

One of the inescapable effects of the latter stages of inflation is a slow but steady halting of industry of all kinds. Life in a city like Shanghai slows down as industry after industry collapses. Discontent rises as the people become unemployed and hungry. The members of the human race are on the whole patient and will usually undergo considerable hardship if it is forced on them. However, there comes a time when there is nothing to eat—and then is when the real trouble starts.

An Unfair Attack

LAST Saturday's *China Press* carried a translation of an article published in the previous Thursday's *China Times* which would have been ludicrous if it had not been such a scandalous example of the misuse of the press. The article in question commented upon the "spy" hearings in America, giving a resume of the proceedings to date and then launching into a personal attack upon Harry D. White, former Assistant Secretary of the US Treasury, Solomon Adler, US Treasury Attache in China and Cyril Rogers, special advisor to the Central Bank of China for many years.

The article made the fatal mistake—a mistake similar to an extremely embarrassing one made by the official *Central Daily News* several years ago—of assuming that an accusation by an official body in the United States is tantamount to conviction. The paper said that since White and Adler had been labeled as "Reds" by Elizabeth Bentley it is now understandable why they behaved as they did in relation to China during the war. They were specifically attacked because when "Dr. H. H. Kung (former Finance Minister) fixed the (exchange) rate between Chinese currency and greenbacks at 20-1, they voiced strong opposition, *baselessly* charging that the rate was not realistic." The paper went on to say that White and Adler had hurled a long list of "wrong" accusations against the Chinese Government and their "groundless charges unfavorably affected our war of resistance and national reconstruction...."

We happened to be in Chungking during the "20" days and, while we have never made the acquaintance of White and know Adler only slightly, we do have a pretty accurate idea of the argument which developed between Dr. Kung and the Chinese Government on the one hand and Mr. Adler, US Ambassador Clarence Gauss and General Stilwell on the other.

The Chinese Government insisted that its rate was "realistic" despite the fact that the black market continued to climb further and further away. The system employed at that time was for the US Embassy, through the agency of the American Treasury, to deposit the salaries and expense monies of the Embassy with the Chinese Government in Washington and Dr. Kung then wrote the Embassy checks in CNC in Chungking at the rate of 20-1. By 1943 it had become impossible for US Embassy personnel to buy their food in Chungking, although they were being paid salaries of US$3,000 to US$10,000 or so. On top of this the American Government had already stepped in with a living allowance, which in some cases almost equaled the individual's regular salary. Even this was not enough as the inflation mounted. At one point Dr. Kung, under considerable pressure from the US Government which did not relish the idea of paying out needless thousands of American dollars per man, gave all Embassy personnel a fifty percent subsidy, thus making the rate 30-1. This helped for awhile, but about the time the blackmarket reached 200-1 Ambassador Gauss discontinued the arrangement, taking the view that the US Government was not bound to subsidize the Chinese Government any longer, and all Embassy staff members went on the blackmarket.

During this entire period, the man who did the actual negotiating and who, in the final analysis, told Dr. Kung that the exchange rate was so unrealistic that the US Government could no longer recognize it, was Ambassador Gauss, not Mr. Adler. There is little doubt but what Adler was in sympathy with Gauss' feelings and actions, but it was Gauss who had the final word. Why is it that the *China Times* overlooked this important fact? Perhaps the respective positions

of the two men today may have had something to do with it. Adler is on the defensive, having been charged with being a "Red," while Gauss, a good Republican by all accounts, now has an important post on the board of directors of the Export-Import Bank, from which China has been trying unsuccessfully to get a loan for the past three years.

Another fact that the *China Times* seems to have missed, is that what really upset Dr. Kung and the Chinese Government was the US Army. While the Embassy, with at the most a couple of hundred Americans attached to it, had a relatively small payroll and not many other expenses, General Stilwell had thousands of troops under his command who not only had to be paid, but had to be fed, housed, etc. all in China. What's more, the US Army built dozens of airfields in China, some of them reputed to have cost more than modern ones in the States because of unrealistic exchange rates.

From the beginning General Stilwell took a firm stand on the money question. He flatly refused to pay his soldiers at the "official" rate, openly giving them US dollars to sell on the blackmarket. The Army had no provision for high cost of living allowances and the soldiers would have been well nigh penniless if paid according to the official formula. On the question of airfields and other major installations built in China, Stilwell realized that the Chinese economy could not withstand the dumping of tens of millions of US dollars into the various blackmarkets. Furthermore, the US Treasury probably did not want to have so many notes floating around China, since it was common knowledge that many of those already in circulation were being smuggled into Japanese occupied areas of China. Therefore, Stilwell agreed to a series of official rates for US Army purchases, with the rate being readjusted several times.

There was nothing unusual about this argument. Dr. Kung and the Chinese Government took the attitude that it was beneficial for China to keep the breach between the "official" value of Chinese and American dollars as narrow as possible. They also recognized that if such an official rate could be maintained, China would accrue a large number of US dollars at very little cost. China needed every bit of profit she could get from any source, so naturally Chungking tried its best to keep the official rate a reality. On the other hand, Ambassador Gauss, General Stilwell and Mr. Adler, representing the US Government, were not anxious to have the war in China cost the American taxpayers an unreasonable sum. Also they realized that unless American personnel, both military and civilian, were paid reasonable wages it would be difficult to keep them in China.

This argument continued throughout the war and was not completely settled until the time of the Surplus Property Deal when China and America finally agreed on all outstanding bills run up by the US authorities during the war and all the bills owed the US by the Chinese Government.

The interesting thing about this article, which first appeared in the *China Times*, a Chinese language paper largely controlled by Dr. Kung and which was translated and republished in the *China Press*, another paper controlled by Dr. Kung, is that the writer saw fit to attack only those war-time antagonists of Dr. Kung's who today are not in a position to hit back. Stilwell, of course, is dead, but the central figure in the whole controversy was former Ambassador Gauss, who is quite available. We should say that the people who are looking after Dr. Kung's affairs, including his newspapers, while he is in America have done him a great disservice by using the columns of two of his best known publications for an unreasonable and unfair attack. Besides being largely incorrect, it is an example of very poor taste in journalism and thus lessens the prestige of the two organs.

China's Lost Territories

PERIODICALLY a cry is raised, either by the Government or by individuals, for the return of China's lost territories. Sometimes the cry is against something which is seen only as a threat to this country's territory or sovereignty. Frequently such protests have been quite valid, but sometimes they are difficult to understand. Also, it is often bewildering to realize how many different parcels of territory have been lost since for many no claims are ever made any more.

The most recent instance of a territorial dispute is over the border with Burma, a former dependency removed from Chinese influence largely with British help. First indication of renewed interest in the Burma border area came recently in the form of a press dispatch to the effect that China stood to gain a large amount of territory when the border was finally defined. This was promptly denied by a Nanking official who said there was nothing in the story.

While we are in no position to comment upon the correctness of the Nanking statement, we have heard some interesting and apparently reliable reports about conditions in this area since the border demarcation commission started surveying the region some months ago. Residents along the border, largely tribal peoples, have long found it expedient to move from one country to the other, the direction of the shift depending upon economic and political conditions of the moment. In recent years, the tendency has been to move into Burma where law and order are said to be somewhat better. Such a movement is accomplished by the simple expedient of digging up the boundary stones in the neighborhood and moving them a few hundred yards one way or the other. Apparently these boundary stones have been marching steadily and rapidly into China during the past few years as conditions in Yunnan Province have deteriorated.

The Burma border dispute, however, is a small affair compared to some of the lost territory problems of China. The most recent loss —and a whopping one, too—was in 1945 when China recognized the independence of Outer Mongolia, a vast region only sparsely populated.

By the same treaty (Sino-Russian Treaty of August 14, 1945) China agreed to considerable infringement of her sovereignty in Manchuria, where the Russians more or less took over the special position previously occupied by Japan, and before that by Czarist Russia.

Although the Russians seem to have been involved in the latest territorial "adjustments" with China, they certainly are not newcomers to the China scene. China's first modern agreement with a foreign power was with Russia in 1689 when the Treaty of Nerchinsk was signed which gave to Russia Eastern Siberia, north of the Stanovoi Mountains.

In treaties with Great Britain China lost Hongkong in 1842; leased Weihaiwei (since recovered) in 1898; Upper Burma in 1886; and recognized the autonomy of Outer Tibet in a series of agreements, the last of which was in 1911.

France acquired Annam, a Chinese protectorate, in 1885 following war with China and obtained Kuangchowuwan as a leased naval base in 1898-1900. Kuangchouwan has since been recovered by China.

Japan grabbed the Loochoo Islands (Ryukyus) in 1873, Formosa (Taiwan) and the Pescadores in 1895 following the conclusion of the Sino-Japanese War, and the Kwantung Leased Territory and the South Manchuria Railway Zone in 1898. As things now stand, China has secured the return of Taiwan, while the US at present occupies the Ryukyus and Russia has pretty well taken over Japan's "special position" in Manchuria.

The foregoing is only a bare outline and does not contain the many treaties required to formalize loss or return of some of the areas mentioned, nor does it include the foreign settlement areas obtained at various Treaty Ports under the provisions of extraterritoriality.

Such a recapitulation, however, does serve to indicate the rather large losses which China has sustained during the past four centuries, a period of dynastic decline and general decay of strong government in this country. In some of the territories, such as Burma, China had no valid rights except those resulting from former conquest. Neither Burma nor Annam, not to mention areas such as Eastern Siberia, could be considered an integral part of China peopled by members of the Chinese race. Rather, they were fruits of conquest during previous periods of Chinese expansion and were, at the time of their loss, outlying appendages of the vast Chinese Empire.

While we would not be inclined to take the position that all territories which China has lost since 1689 should be returned to her on the grounds that she once had them and that they were taken away by force or trickery, we do think the record is one of which China should be constantly aware, especially since it extends right down to the present decade. The trend must be halted by general improvement in what is left. Otherwise there may one day be so little left that even a civil war will not be worthwhile.

25 Years Ago
In *The Weekly Review*

Filipino Independence

August 18, 1923.

The Filipinos are solid for independence. There is no denying that. Their pride is hurt that a white race should judge them incapable of running a proper government. Anyone can sympathize with that very human sentiment. However, the Philippines present very peculiar internal and external problems which make successful independence uncertain—not certainly unsuccessful but uncertain of success, and the United States policy of letting affairs ride, with promises of independence sometime, is unquestionably the safest policy that can be persued. It is not a denial of the Filipino's capacity for self-government, despite some reasons America might well hold in that respect after the experiment in autonomy the Philippines were given by the Democrats....

* * *

No Exception

China is in a transient period and it cannot be denied that the political condition is chaotic. But such a period is a stage through which every great republic is bound to have to pass. America, France and Mexico have gone through it, and China is no exception. The problem of China is complicated and it by no means can be solved by foreign interference. The more the foreign powers interfere, the more critical is the political condition; consequently the foreigners' lives and property in China are in greater danger than ever before. It must be the Chinese people who work out their own salvation. This being the case, for China, for the world and for humanity at large, I beg American as well as European friends to let China alone.

10 Years Ago In
The China Weekly Review

Old Interests Shaken

August 20, 1938.

The present China War has badly shaken many of the older vested interests in China's economy and finance. At the same time it made manifest a series of new economic and financial trends conflicting with those vested interests. The latter are inclined to view the new trends as but provisional ones of a temporary war-time economy, and the whole of the present economic and financial situation in China as a mere interregnum. Translating their wishes into hopes, and hopes into confidence, they expect that one day this supposed interregnum will suddenly end with the war, and that then they will enjoy the sunshine of restoration to their former importance and profits.....We do not boast to be able to predict the economic and financial future. But it has to be emphasized that there are quite a number of indications that Shanghai is at present by no means passing through a mere interregnum, but is in the turmoil at the threshold of a new economic and financial era in China.

* * *

Chinese Grip Tightens

There are still other economic and financial trends working against Shanghai which have been strengthened by the war. There is, for instance, the much increased power and importance of the Chinese state banks in the still independent parts of China....as compared with the decreased importance of the westerners' banks. Foreign exchange control contributed much to this development, and will be very difficult to abolish after the war.....On the whole the hold of the westerners on China's economy and finance has been much restricted, and it cannot be enough repeated that wherever the Japanese took the position of the westerners they will be replaced, if beaten by the Chinese, by the latter and not by the westerners again. It is Shanghai, and western business in and via Shanghai in particular, which is suffering from this development.

KOREAN MODERATES MOVE LEFT

Hugh Deane

Seoul, Korea (Airmail)

THE opposition to American policy in Korea gained a reluctant recruit early in June when Ahn Chai Hong, American-appointed Civil Administrator of the South Korean Interim Government, handed in his resignation. A conservative Christian publisher with a reputation for timidity, Ahn answered hesitantly the first questions put to him in a private interview with a correspondent. Then he said, "If you can promise that what I say to you will never be published in South Korea, I will tell you what I really think. To you this condition may seem preposterous; to me it may be a matter of life or death."

Ahn said that he had not carried out his original intention of resigning last November because the appointment of the United Nations Temporary Commission on Korea had given him hope. "Now I know that this hope was not justified. The elections? They have served to usher in an extreme rightist regime which can bring only evil to my country. They were held in an atmosphere created by thousands of acts of terrorism on the part of the police and rightist youth organizations." Thus spoke, bitterly and fearfully, the highest Korean official south of the 38th parallel.

Pyongyang Soviet Success

Ahn said that he would work with the rightists and moderates who, at the Pyongyang Conference in late April, formed a loose alliance with the Communist-dominated left to oppose the US-sponsored establishment of a separate government in South Korea under the leadership of Syngman Rhee. This alliance has now withstood initial tests. Its rightist and centerist adherents in South Korea have not yielded to intimidation or police action, nor to cautious American overtures. It has survived the elections, despite its inability to persuade the majority of South Koreans to risk staying away from the polls or even to cast void ballots. It has survived provocation from the left. Kim Koo and Kim Kiu Sic, the two prominent rightists who went to Pyongyang, announced upon their return that the North Korean Communists had agreed not to cut off the electric power. Eight days later the power was cut off. With hasty jubilation, the Americans assumed publicly that whatever agreement had been reached in Pyongyang was dead. In fact, Kim Koo and Kim Kiu Sic accepted the shutting off of the power with such grace as they could muster and pursued their efforts to form a right-center bloc in line with the Pyongyang agreement.

Perhaps some of the 56 parties and groups which signed the Pyongyang agreement will fall away, but it now appears to be an enduring factor in the Korean political situation. What made it a success for Soviet diplomacy was the participation of men like Kim Koo and Kim Kiu Sic. Kim Koo, the aged terrorist who headed the exiled government in Chungking, now leader of the Korean Independence Party, has been long identified with the extreme right. Kim Kiu Sic, a conservative, American-educated Christian with a high reputation for integrity, was until February the American-appointed chairman of the South Korean Interim Assembly, a post which he resigned in protest against the elections. The entrance of such men into an implicitly anti-American alliance is the sharpest possible indication that in the direct competition for Korean loyalties the United States has fared badly.

General Hodge's political advisors sought to dissuade Kim Koo and Kim Kiu Sic from going north and generally predicted that the conference would fail. Since its success they have tried to minimize it and to belittle the South Koreans who participated as dupes of the Reds or disgruntled politicians. The motives which sent centerists and rightists to Pyongyang were certainly mixed, ranging from the sheerest opportunism to a fierce nationalism which held that the unity of Korea took precedence over ideology. For Kim Koo, who had been marked for elimination by his rivals on the extreme right even before his terrorists assassinated Chang Duk Soo last December, self-preservation was a strong factor. Kim Kiu Sic is a sick, honest old man with one eye on his reputation in history, a man with a decent revulsion for the political Frankenstein which the Americans have created in South Korea. Men with greatly varying backgrounds journeyed to Pyongyang: rightists who had fought Communism all their lives, earnest liberals, Communists, near-Communists and even ex-Communists. That considerations of self-interest were in many minds, as the Americans like to point out, is clear. But the key question neither General Hodge nor his advisors have tried to answer: in what kind of a society does self-interest lead moderates and rightists to ally themselves, however equivocally, with Communists?

US Pays Price

At Pyongyang the United States paid part of the price for association with extreme reaction in a society characterized by pressures for change. There the economic and political resentments built up in South Korean society during the last two and a half years were expressed. There those cramped by a narrow monopoly of ultrarightist political power sat in council.

Immense problems were involved in bringing democracy and stability to the poor southern half of a bisected peninsula inhabited by an emotional people suddenly freed from forty years of colonial life. Despite lack of material resources, the American Military Government has met some problems with zeal and competence. But its achievements have not simply been overshadowed by the basic evil of reaction; they have been corroded by it. The new textbooks tell of democracy; they are not so eloquent as the cries of a professor of mathematics of Seoul University, tortured in prison to obtain a confession of subversive intent. Freedom of the press is publicized American policy, but police action and terrorism have silenced a long list of newspapers. American economists have done much to modernize the wage system, but in an economy reverting to the ox-cart days of fifty years ago, an economy characterized by inflation, speculation, corruption and disintegration of industrial plant, official figures show that those workers still employed earn at their jobs only 30 to 40 percent of their minimum expenditure. Rich rice lands formerly owned by the Japanese have been sold to tenant farmers, but few competent observers expect real agrarian reform from the landlord-ridden regime of Syngman Rhee.

Mistrust Democracy

An anti-Communism characterized by hysteria and implemented by force has rotted the American occupation of South Korea and made it evil. In Korea, as elsewhere, the Americans talk about democracy, but they do not trust it to compete against Communism. To combat Communism they have allied themselves uneasily with the extreme right, a combine of rural gentry, profiteering businessmen, collaborators and opportunists. ("What a choice I had at the elections!" a liberal publisher told me. "I could vote for a profiteer, a terrorist, a pimp or a well-known collaborator.") They have effected this alliance not without misgivings and hesitation. At times they have quarreled with Syngman Rhee and opposed him. At times they have seemed to be aiming at a middle-of-the-road regime; they have made occasional gestures toward winning the support of the moderates, liberals and even non-Communist leftists. But each gesture has sent Rhee into a calculated tantrum, and in these crises the Americans have backed down. They have feared to crack down on Rhee's organizations in the same way that they cracked down on the left; they have argued that Rhee could be counted on, that the others were of uncertain strength, that out of fear of Communism the moderates would go along.

For the sake of anti-Communism,

the very phenomena for which Americans condemn Communism have been utilized or tolerated: mass arrests, terrorism, torture, thought control, judicial frame-ups. The prison population is three to four times what it was in Japanese times. The police force, triple the size of that found necessary by the Japanese, is assisted in its function of political suppression by fascist-like youth organizations with a total membership of perhaps half a million. Cases of terrorism and police action against leftists and ordinary people, compiled painstakingly last fall by the Korean Civil Liberties Union, itself semi-underground, fill nine reports totaling 107 pages of typewritten, single-spaced English. In them, few incidents are given more than two or three lines. Province by province, county by county, village by village, they give the measure of South Korean agonies.

During two visits to South Korea I have filled a half-dozen notebooks with tales of terror, related by both Koreans and Americans. In a police station in Seoul I have talked to a tortured Communist youth with flecks of dried blood still on his mouth. I have interviewed a sobbing 13-year-old girl whose father was beaten into a coma because of his failure to vote in the elections. I have inspected a village looted by Syngman Rhee's Great Korea Independent Youth Corps because its inhabitants refused to make a prescribed donation of 500 yen per family. I saw, and did not recognize, the bloated, sickly face of a labor leader whom I had interviewed a few days before his arrest in August 1947. Imprisoned seven months without trial, he had undergone two months of steady torture: water cure, immersion in human excretion and beatings till he could not see or hear.

In South Korea, reaction has created individual Communists and united the whole left under Communist leadership. What the Americans have assumed from the beginning has become true; in the struggle to survive, the left now has no time for difference. The authorities have gone after Communists, fellow travellers, sympathizers of fellow travellers and their sympathizers, in the pursuit creating more to be pursued. The result has been the steady defection to the left of which the Pyongyang Conference was the climax.

Parties Go Left

The hundreds of Communists who emerged from prison in August 1945 helped to organize the People's Republic and later the People's Front. Because of their record of resistance against the Japanese, most of them quickly gained positions of leadership during the first upsurge of popular organization. Out of the wreckage of the People's Republic they built the nucleus of a party and began to acquire allies. In February 1946, as the lines between left and right were drawn by the dissolution of the People's Republic and the return of exiled rightists, the revolutionary general Kim Yak San (Kim Won Bong), associated with Kim Kiu Sic in the Chungking government, took his National Revolutionary Party (now the People's Republican Party) into the People's Front. G-2 now considers this party to be a Communist faction. In the fall of 1946, following the mass arrests which accompanied the breaking of the first general strike, the Communists succeeded in merging their party and two other parties with the South Korea Labor Party. In May 1947, the late Lyuh Woon Hyung formed a non-Communist party of the left, the Laboring People's Party. This party, which was active at Pyongyang, has been "heavily infiltrated" by the Communists, according to General Hodge. So have also, in the official American view, the other small left-wing and centrist parties represented at Pyongyang. The Communists who survived Japanese prisons have reaped a rich harvest.

Now respectable rightists like Kim Kiu Sic cannot escape the Red taint. This spring Cho Pyung-ok, Director of National Police, told me that he had advised against the issuance of a May Day permit to the leftwing Korean Federation of Labor because he had obtained reports that followers of Kim Kiu Sic and Kim Koo intended to join the leftists in creating disturbances. Rhee holds to the view that those who disagree with him are "national criminals."

Communists Use Violence

Whether or not the Communists were initially guilty of using violence as a political weapon, as the Americans claim, they are now guilty. South Korea is close to civil war. On Cheju Island, off the southern coast, organized guerrilla warfare is being fought against the authorities. On the mainland small groups of embittered peasants and fugitive leftists have been formed in the hills; in the cities an underground exists. The leftists raid police boxes, assassinate local rightist leaders, light bonfires on the mountain tops, plaster the telephone poles with their proclamations and organize quick demonstrations; periodically they disrupt communication lines, tear up railroad track and sabotage locomotives. During February, March and April of this year, according to a G-2 memorandum of May 4, 300 attacks on police took place, resulting in the killing of 68 policemen. Some 325 disorders, student strikes and attacks on rightist homes and offices were reported, as well as about 250 acts of sabotage; there were 23 strikes. About 210 "rioters" were killed and 106 "non-rioters."

To the Pyongyang radio, the activities of the South Korea left are "the people's resistance." To General Hodge, they are the work of agitators acting on instructions from North Korea. But even to many non-Communists, including responsible American officials, the theory of Communist incitement is too simple. An American colonel described to me how a Korean friend of his, whom the police had arrested and beaten by mistake, came to see him filled with the resolve to kill a certain police official. "After an hour or so I talked him out of it. But not everybody in his position can obtain good advice."

"The chief cause of the civil strike on Cheju Island is police brutality," two Roman Catholic missionaries stationed there told correspondents recently. "Hardly a family on this island but has had at least one member beaten by the police. And when the people pick themselves up off the ground, they are leftists—or at least getting even with the police has become one of their chief aims in life."

". . . And He Will Bite"

One of Korea's ablest newspaper editors quoted to me an old peasant proverb: "Keep a dog from water and he will bite." "The Korean people," he explained, "have been kept from the water of freedom and decency. Some biting is to be expected."

Some Korean intellectuals have in their minds a pertinent quotation: "Those who are ignorant of the march of events in the world. . . have by wild and baseless rumors instigated people's minds and caused ruffians in various places to rise in insurrection. These rebels commit all sorts of horrible crimes, such as murdering peaceful people, both native and foreign, stealing their property, burning official and private buildings and destroying means of communication. Their offenses are such and are not tolerated by heaven or earth." These words are from a proclamation by Baron Yoshimichi Hasegawa, commander of the Japanese army of occupation in Korea forty years ago, when the Bolsheviks were a faction in the Russian Social Democratic Party.

"SECURE THESE RIGHTS"

This American newspaper cartoon shows the necessity for the United States to overcome the obstacles on the road to genuine democracy. These obstacles are the various practices, sometimes not too uncommon in America, which are violations of civil rights.

FROM KAIFENG TO CHENGCHOW

Mark M. Lu

Chungmow, Honan, July 18.

SEVENTY li west of the city of Kaifeng is Chungmow, located on the Lunghai Railway just between Kaifeng and Chengchow.

After going out the South Gate of Kaifeng, which was badly ruined during the big battle, a considerable number of soldiers, wearing their "mouth covers," were still seen repairing the fortfications and burying the corpses. Although more than three weeks had elapsed since the fighting, pedestrians still covered their noses with their hands when passing through the Gate.

During the battle, the people living outside the South, East and West Gates of the city suffered bitter losses. According to the investigation made by the "paochia" heads, the members of 28 families outside of the South Gate of the city alone were all burned to death.

Recently, all people who come out or go into the city are checked. It was learned that on July 12, some ten thousand Communist Army men passed by the south suburb of the city, going from the north to the south without fighting.

Our truck was stuck outside the city dyke, some eight li from the city. Just at this time, several soldiers passed by us and talked about the war now going on in the vicinity of Loho and Hsuchang in southern Honan. One of them took his rifle in one hand and his little child in another. A woman, probably his wife, followed him. After giving a deep sigh, the soldier cried, "We don't care which side wins the war, let us return home to be good "lao pai hsing."

Heavy Losses

After repairs, we started our journey. One of the passengers told us that the big fighting in the Flooded Area was ended, but both sides had suffered heavy losses. There was no doubt though that the losses of the people were a hundred times worse, he added. About 40 villages of the Chenliu-Kihsien border, 70 li south of Kaifeng, were affected by the war. Of them, 17 villages were completely burned, 20 were seriously damaged, and the rest of the villages were slightly damaged. The Central Government had already earmarked CN$90,000,000,000 for relief. Asked why they fled from their native towns, their reply was that they feared the new weapons and air bombings. Judging from their words, they, like the Kaifeng people, were somewhat won over by the treatment of the Communists.

After arriving in Chungmow, the writer made a trip through the city. It was appallingly miserable. Half of the city was entirely washed away by the flood in 1938 when the dyke of the Yellow River was dynamited at Huayuankow to stem the advance of the Japanese army. Except for a small part in the center of the city, all the houses had collapsed. Since V-J Day, only a few people have returned.

The Hsien Government Yamen was built of straw and grass, two-thirds of which was burned by the Communists during the fighting in Kaifeng. Interviewed, the Magistrate told the writer that he had just received a telegram from the "Military Directing Headquarters" of Chengchow, stating that precautionary measures should be taken as the Communists, lingering in the triangular area of Chengchow-Hsuchang-Loyang, might threaten Chengchow in the near future. The magistrate predicted that for the time being the Communists would keep quiet and Chengchow might be safe.

In a private talk, a government officer pointed out that when staying in an area, the Government troops used to collect tools or daily necessities from all the poor and the middle class, with the result that they caused ill feeling among the people. However the Communists, when taking a city, seemed to bother just a few of the rich and high ranking official families, with the result that they caused ill feeling only among a minority. This talk was full of significance and the Government should take it into consideration.

Friends' Service Unit

After the closure of UNRRA and the evacuation of all the missionaries, the only international organization, remaining in Honan, is the Friends' Service Unit with its headquarters set up at Chungmow. They run a hospital, a textile plant, oil press and machine shop, all of which serve the local people. They will soon open a school for the children.

The writer also learned the following story: Two Nationalist bombers flew over the First Sub-Team Station of the Tractor Project of AMOMO at Hsihua in the Flooded Area on June 14 at eight in the morning, when the members of the Sub-Team Station spread out their "air defense insiginia of AMOMO" which has been approved by the Chengchow Military Directing Office and the National Defense Ministry. The planes, after completing their reconnaissance, strafed and bombed the Sub-Team Station with about 2,000 rounds of ammunition and five bombs, despite the insignia. According to an investigation made later, three members of the Sub-Team were killed, six seriously injured, and 58 tractors completely damaged. One of the injured would be disabled for life.

* * *

ON July 20th, the writer came to Chengchow, the so called Chicago of Honan Province, for a visit. It was found that the construction of military defense works around the city and the villages nearby were in full swing.

Several li east of the city is a village, around which more than 20 fortifications are built and all trees cut. It is said that this is to defend the Air Field. Recently, each family in the city has been ordered to pay CN$70,000 every day for building defense works.

The local military authorities have announced that all the houses which stand in the way of the city, defense, either in the suburbs or in the villages, must be torn down. It is learned that each small "chien," or room will be worth CN$2,000,000 and 40 catties of relief rice to the house owners.

Full Of Soldiers

Upon making a trip around the city, one finds that all the school buildings, missionary houses, big shops, private houses, and any other public buildings are full of soldiers. It shows that Chengchow is well guarded. The Army puts up their posters everywhere which refer to such subjects as: Don't insult women. Don't take army coolies by force. Don't sell or buy by force, and so forth.

Since the circulating of the big denomination notes, CNC$500,000, in the city by the end of July, all the commodity prices have run amuck. Usually the prices change three to five times in one day. For instance, one catty of wheat flour cost CNC$36,000 at eight o'clock one morning, and at 10 o'clock it was up to CNC$45,000. Nobody knew how much it would cost by night. During one week, one "liang" or ounce of gold has risen from CNC$250,000,000 to CNC$500,000,000. All the shops hold their goods and do not sell, unless they need money to pay their debts. Some small shops exchange goods for other goods. According to new arrivals, all the shops at Chungmow have closed their doors and stopped their business transactions. At the time of writing this article, it is learned that the government authorities in Kaifeng prohibit the circulation of the big denomination notes so as to curb the rise of commodity prices. It seems impossible and unreasonable.

During the past week, it has rained here heavily, with the result that many houses collapsed and several persons were reported to have been killed. More than 40 villages, east of the city, were flooded, when the Chia Lu River broke its dykes in recent days. It is also reported that a considerable number of "mow" of young autumn crops have been inundated.

A merchant told this writer that the Communists hold the hsien cities at the outer perimeter of Chengchow, and strictly prohibit the people to ship food to the city. If the rains continue or the situation becomes tense, a food crisis may threaten the city since not much food has been stored here.

INDIA'S YEAR OF INDEPENDENCE

HARIN SHAH

(Special Correspondent, The China Weekly Review)

(The following is the first of three articles by our India correspondent describing political and economic conditions at the close of the first year of that country's independence.)

INDEPENDENCE is an extremely slow-growing plant. To win the Battle of Independence is only to enter a field in which greater battles must be fought—those of organizing, protecting, strengthening and wielding that newly won prize!

With the arrival of the first anniversary of India's independence on August 15, the minds and hearts of India's countrymen and friends abroad are tempered with grim realization, even though their faith in freedom and in a better world is not impaired. For this date is not only an anniversary of independence, it is also a crucifixion day, distressing and depressing, a bloodstained milestone in the engineered vivisection of India.

The partition is now complete but every day of its completion has meant a loss of fraternity, unity, sanity—the very things which were held to be benefits of partition by those who engineered it. Partition is complete, yes. Complete is the arraying of armies, the instilling of cut-throat hatred in the masses across unnatural frontiers.

A year before partition, it was passionately pleaded by the Congress leaders that the whole idea was an acrobatic tactic by a few ambitious Moslem politicians, that the Moslem masses were not interested in partition, that it was physically impossible to maintain partition, and that if Pakistan were turned over to the Moslems with good grace they would walk right back again into the arms of a destined Indian unity and glory. But, like individuals, organizations too have to eat their words. The unity sermon petered away within the first month of partition. Such a sermon virtually amounts to high treason in Pakistan now. It wouldn't exactly mean treason in India, for unity would mean getting back what has been whisked away. But people realize that unity is now a dead issue, and their leaders realize it too. The focal point of all vituperation today is to arm speedily and effectively, to recruit as many friends as possible and to finish off the other side. On the Pakistan side, this game has been joined by the Moslem Middle East. Active Arab dabbling in India-Pakistan and India-Hyderabad relations has already been reported.

Ghandi Followers Falter

With strained nerves and three huge debit items—Kashmir, Hyderabad and the forty million Moslems remaining in her territory—India goes into the second year of her freedom. Before we analyze the picture, let us look at the political landscape and the mood in India today.

The father of the Nation is gone and has left a void. With all his apparent conservatism, he is missed by every shade of opinion in the country. He is enthroned in history as the architect of liberated India. For weeks the country suffered from the loss but gradually the gravity of current problems lifted people from their state of shock; blood flowed through the national veins again. For some time, Mahatma Gandhi's high philosophy had been reducing itself to a personal code of conduct and thinking—most superbly fulfilled by the Mahatma himself. Hence, in the need of a new realistic approach for a free country, his absence has not led to a collapse, as it could very well have several years ago. The Congress organization was rapidly deviating from his prescriptions while he still lived, responding to the inevitable demands of a parliamentary mantle. Mahatma Gandhi's numerous and strenuous disciples are orphaned with his departure. Their philosophy and faith seem to be unable to sustain them and they seem to be disappearing like pebbles on the shore.

Swing To Left

Along with this there has been an apparent steady swing toward the left. Nehru and Sarda Patel and the Indian National Congress still remain enshrined in the hearts of the large majority of people. The people have no quarrel with what the Nehru Government is doing: rather, their quarrel is with the fact that it is not doing more, and sooner. This feeling could and should be translated into action which would strengthen the Nehru Government. The swing toward the left has been mainly among the young office workers and students, the lower middle classes and a portion of the Congress who get impatient at the late delivery of freedom's fruits and are enraged by the steady infiltration of the party organization in recent years by blackmarketeers and "Big Business" profiteers. The leftward swing, with its glamor of easy-to-swallow socialism, has also become apparent in the rural areas. Yet the new rush is behind an *idea* of socialism, rather than behind any new leadership or particular leftist parties.

The two main leftist parties in the field are the Communist Party and the Socialist Party. Both depended upon the Indian National Congress for nurturing during the period of their early adolescence, though the former thoughtfully went along building its strength among labor and youth and thus is found to be still strong in some respects. Internally, the Communist Party of India has suffered some decline in popularity in the ranks of labor and in its broad group of sympathizers among the people. This has been due, in large part, to the quicksilver changes in the party line. Outwardly, the Party has been partitioned along with the country, and a separate party functions in Pakistan, which is still nursing the wounds it sustained during partition and has been scrupulously avoiding any premature test of its strength with the enthroned religious fanaticism of Jinnah and this Moslem League.

SHANGHAI'S AMERICAN DAILY—MORE THAN "JUST A NEWSPAPER"

During these trying post-war days, the Shanghai Evening Post and Mercury has slipped into a peculiarly intimate place in the minds and hearts of readers. Perhaps that is because it tries in every way to be as human as your best friend. Read it for true straight news, most of it printed at least 15 hours ahead of other Shanghai papers; for outspoken views; for bright touches and entertainment features which will take you mind off your troubles. For the times, subscription rates are low:

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The Shanghai Evening Post & Mercury
19 Chung Cheng Road, Shanghai (13).

In India the Congress has sponsored, with the cooperation of the big capitalists, a rival to the CP in the form of the National Trade Union Congress, while the Socialist Party has taken another big chunk of labor out of the preserve of the Indian Communists. This strategy of chopping away at the Party's feet has forced it into violent combat with the Congress Government, both at the center and in the provinces. Name calling is the order of the day. The Congress leaders are "fascists," "traitors" and "handmaidens of the Anglo-American imperialists." The people, however, do not show much inclination to accept these tags at their face value—much less to accept the Communist Party as a handsome alternative.

Pressure Strengthens

In two strategic frontier provinces of India, East Punjab and West Bengal, the Communist Party is declared illegal, while in other places it is semi-underground and plays a sort of hide and seek. With the formation of the Cominform and open talk in the Soviet press now of World Communism, and with the history-making shift to aggression of the Communist Parties of Southeast Asia, the Indian Communist Party line becomes still more strident in the shock-ridden and baffled mood of India. Her task today is to keep away from either world bloc, and to persuade others to keep hands off for at least a time while she forms and strengthens herself internally.

Shades of China, moreover, have been noticed in the revised party line. A hobby of collecting arms is noticeable among party members. In portions of South India, where the CP has strong bases, there is a loosely armed Communist militia which is actually believed to be controlling some districts in the south.

The Socialist Party is the youngest political party in India, though it acted as the "young blood" wing of the Congress for fourteen years. Its leaders claim to be disciples of the Mahatma, spiritually; have been Fabian socialists, intellectually; and once showed revolutionary tendencies when, during the Quit India Movement of 1942, they ran the entire militant underground. The Socialist Party seceded from the Congress last year over the issue of the tightening grip of Big Business over the Congress and the Nehru Government. It is still in search of clearcut planks of its own, and, at the moment, endorses broadly the foreign policy of the Nehru Government. What the Socialist Party obviously needs is a good fighting campaign to tone it up and give it a suitably traditional anti-Government complexion. Then only could it make use of the colossal mound of mass sympathy which is lying around just as raw and unshaped as the Party itself.

Failures Of Left

In a relative sense, both of the leftist parties have failed on two vital issues, according to the popular view. To India, there couldn't be a more pressing question than that of the Moslems, forty million of whom remained in India after the creation of Pakistan. During the period of partition, Moslems in India looked to both the leftist parties for leadership. But both failed to take them in. On the other hand, the ordinary Indian rejects the pledges of the two leftist parties since they have failed to show initiative in handling the Moslem question.

The second failure of the left was in the matter of leadership in foreign affairs. The people are predominantly critical of the Anglo-Americans, but they are not yet ready to join the Soviet bloc for reasons not so much ideological as immediate and practical. They are unprepared for an outright Bolshevik revolution, and their wish is to steer a neutral course, during the armed transition, if not during the flare-up itself. To cast their lot with the Soviet Union at present would invite effective strangulation by the Anglo-Americans—so say the people. And the leftist parties have failed to offer them leadership in this vital question as well.

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CAN ECONOMIC REFORM SUCCEED?

J. R. Kaim

FOR several weeks now, businessmen have been waiting for the much heralded economic reforms. So often has it been rumored that these reforms will be issued "tomorrow" that when actually announced—perhaps before this issue of the *Review* is published, perhaps much later—they probably will disappoint most of those who have longed for them. At present, most businessmen fear that the whole plan will refer to long-range programs rather than actual present needs. They also fear that whatever the reforms deal with, the present rules, controls and restrictions will prevail. This conclusion they draw mainly from the text and spirit of the recent regulations concerning Overseas Chinese investments.

There can be no doubt that when conferring on its new plans the Government has listened not only to the explanations of its own officials but also to those of practical businessmen and their financial counsels, and if the views expressed by such persons have differed from those of the majority of leading businessmen and financiers in town it would be amazing indeed. Few bankers and merchants believe in the practical value of the prevailing system of regulations. It is easy to say that businessmen are naturally against all sorts of controls. It is also easy to say that all they want are profits and that they are less interested in the welfare of the nation than in the welfare of their own enterprises. But by such and similar statements one merely over simplifies a much more complicated situation.

Few Bankruptcies

For actually, businessmen in general are not much worse off than they were a year or two ago. There have been amazingly few bankruptcies. No tycoon, whether Chinese or foreign, has as yet been forced to sell his house or car. No great firm has decreased its number of leading employees. But what has increased, and drastically so, is the number of people failing to earn a living and what has deteriorated, and rapidly so, is the economic position of the country and of the majority of its inhabitants.

In other words, when businessmen and their financial counsels oppose the present economic system and favor a radical change of methods, they do not do so solely for selfish reasons. Thus, when businessmen fear that new regulations will again be based on a system of controls and restrictions, and when they add that so long as the basic ideas are not changed the basic results will not change, they probably know what they are talking about.

But businessmen also have been told that whatever the heralded reforms may refer to, they will be based on and closely connected with the American China Aid program. It is in this connection that many people expect salvation. Once we get American raw materials, capital goods and some other shipments, all we will need to reach the final goal of full recovery is another American loan for establishing a new, sound currency. For, they reason, what is hampering our economic recovery, apart from the Civil War and all it stands for, is our shortage in foreign exchange; all other shortages are but consequences.

However, while there can be no doubt that it is a sound idea to link the new economic program with American aid supplies, it may be premature to believe that this guarantees favorable and early results. Let us look at the issue objectively and solely from an economic point of view:

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cannot go on indefinitely. China has enormous debts—prewar, wartime and post-war debts. She probably does not have much gold at her disposal and cannot, therefore, hope to ship gold to America in order to obtain dollars. On the other hand, it is evident that the marginal propensity of China to import American products is much greater than America's propensity to import Chinese products. During the first three months of this year, for instance, the value of (restricted) imports from the United States was about 200 percent higher than that of (much aided and stimulated) exports to the United States. The balance-of-payment position of China with respect to the United States, therefore, would improve only if she were to sell as much as possible to America but imported from there as little as possible. This, of course, cannot be done. That China's position can be improved by the supply of capital goods, as apparently is planned by the Americans in charge, and that progressing industrialization of China may also lead to a better balance of payments is understood. But the dollar shortage is a fact even in such highly industrialized countries as Britain, and dollar shortages are by no means merely post-war phenomena. It can be taken for granted then that China will be short of dollars for many years to come and that stop-gap loans cannot revise the fundamental issue.

China's Obligations

To borrow money in the form of a stop-gap loan is no new invention. But when one looks at the many obligations China already has toward various nations, and when at the same time one considers the results of the country's financial policy during the past, say, fifteen months, it is easy to see that no such loan can be expected in the near future. This, most local Chinese bankers take for granted. They believe, and if they have been consulted have probably said so, that not before the maze of prevailing regulations has disappeared and is replaced by a short list of a few fundamental restrictions can one hope to reach that degree of normalization that must be reached if confidence is to be restored.

What the world has been able to observe is that in spite of (or due to) an almost endless chain of "reforms" the speed of China's money inflation has increased drastically. What the Government has seen is that the populace in general and the business world especially do not simply surrender but fight in order to save part of their substance. Thus it appears but natural and logical that the goal of any long-range recovery program can be reached only if the fight between the pushing Government and the self-defending population comes to an end. Generally, businessmen and financiers are convinced that this end can be achieved only when regulations correspond to the wishes and necessities of those upon whose activities depend the welfare of the people.

The Week's Business

DURING the week ending Wednesday, August 18, the money market was so tight that occasionally open market interest rates went up to 65 percent and even 70 percent per month. The average interest rate was 55 percent per month which certainly indicates both the shortage in funds and the shortage in cash. When on August 15, the COL indices went up by more than 90 percent, several factories in town were unable to obtain the amounts in cash needed for paying wages and salaries. It was reported that several banks limited cash payments to CN$100 million per firm.

Partly due to the shortage in funds, the stock market showed a relative decline during the week under review; as interest rates charged on the Exchange were tremendously high (it is said that in some cases more than 100 percent per month were charged by lenders), even some gains reached by stocks were to be considered small and insufficient.

If tightening of the money market was believed to check the inflationary trend it became obvious that this time the frequently applied medicine had no remedying effect. The tempo of inflation was the same as before.

On Wednesday, the Exchange Certificate premium reached CNC$7,700,000 and the margin between that official rate (to which one has to add CNC$574,000 to obtain the actual official dollar rate) on the one hand and the black rates on the other became smaller than at any time during the past eight weeks.

All dealings in "local foreign shares," i.e. shares of local companies the face value of which is expressed in terms of foreign currencies, was still prohibited. The *Financial Daily*, leading vernacular financial paper, reported that Ewo Cotton was traded at CNC$25,000,000, Dockyards at 28,000,000, Asia Navigation at 3,000,000 and Metals at 7,000,000. By the end of June, i.e. before the ban on trading in "foreign" shares was issued, Ewos were quoted at around CNC$14,000,000, Dockyards 16,000,000, Asia Navigation 1,240,000 and Metals 4,100,000. At the same time, the Certificate rate was less than CNC$1,500,000 compared with an average of CNC$7,500,000 during the week under review. In other words, gains reached by the above stocks have not been adequate.

In spite of the above mentioned shortage in ready cash, or, as some observers presume, in consequence of it, prices of essential commodities went up drastically. While rice prices fluctuated throughout the week, the price of white rice on Tuesday reached CNC$62,500,000 per picul. Flour, edible oil, cereals, too, reached fantastically high prices as dealers preferred to keep their goods rather than to accept checks.

Developments on the different textile markets were similar. At the beginning of the last week, to mention one example, the price of rayon yarn gained, within less than three hours, CNC$260,000,000 per case, i.e. more than US$30 when calculated at the official Certificate rate. This price advance was noted despite an announcement made by The Central Trust that large quantities of Italian rayon will arrive here during the second half of this month and that further 7,400 will "shortly be shipped to Shanghai". Apparently such and similar announcements now fail to impress the market.

On August 18, last day of the week under review, the money market became still tighter and the open market interest rate went up to more than 60 percent. Ready cash remained as scarce as before and while businessmen continued to wait for news from Nanking on the much heralded new economic rules, prices of commodities continued to advance. Reports from the capital to the effect that the "reform plan" was not dropped but only delayed failed to impress the market.

The market was impressed, however, by news to the effect that The Central Trust is preparing a new barter agreement with France and that also trade with Western Germany is to be based on barter agreements. As Italian rayon, too, is now handled by the Trust, commercial firms are certain that Government monopolies are growing rather than diminishing.

Quotations

Stock	Aug. 11	Aug 18
	CNC$	CNC$
Wing On Textiles	15,120	16,250
Mayar Silk	675	622
Exch. Certificate	7,000,000	7,700,000
Ornament Gold	500,000,000	600,000,000
Open M. Interest	45%	60%
Bond C	1,800,000	2,580,000

Commodities	Aug. 11	Aug. 18
	CNC$	CNC$
	(000 omitted)	
Wheat Flour	18,150	22,700
White Rice, first	50,000	63,000
Peanut Oil	165,000	195,000
Raw Silk "C"	3,300,000	4,050,000
Jap. Rayon	3,035,000	3,415,000
Cot. Yn. (42)	2,800,000	3,200,000
Cot. Yn. (20)	1,850,000	2,130,000
Koo. Ban Soap	76,000	83,500

NEWS OF THE WEEK

Gov't Announces Currency Reform; Generalissimo Returns To Nanking

Just as this magazine went to press, news was received of the Government's decision to abolish the old fapi and issue a new currency called the "Gold Yuan," thus making the long-rumored currency reform a reality.

The "Gold Yuan," which the Government said would be backed by 100 percent reserves and convertible to foreign exchange under strict government control, is pegged at GY$4 to US$1. The conversion of the old notes is fixed at CNC$3,000,000 to GY$1.

Other highlights of the currency reform plans include the following:

1. Gold, silver dollars and foreign currency held by the public are to be surrendered at stipulated rates.

2. Holdings and dealings in gold, silver and foreign currencies are to be strictly prohibited.

3. Foreign exchange assets held by Chinese nationals abroad are to be registered with the Central Bank of China.

4. All fapi and Northeastern notes are to be withdrawn before November 20, 1948.

5. Drastic measures to stabilize prices, salaries and wages will be taken after conversion in terms of gold yuan.

6. Payment of salaries and wages on the cost-of-living indices will be discontinued.

7. Import quotas will be cut down in view of US aid supplies brought into the country.

8. Banking control measures will be tightened, particularly in respect to credit extended by government and commercial banks.

By order of the Ministry of Finance, all banks throughout the country are suspending business for two days when cash deposits and withdrawals are to be frozen.

Reaction to the new currency reform varied from mild optimism to unconcealed skepticism. Banking quarters adopted a wait-and-see policy, emphasizing that the real meaning and efficacy of the new measures would be best seen when detailed regulations are announced.

The consensus is that the confidence of the people in the new currency will be the paramount factor in its success or failure.

* * *

Budget Issued

THE ordinary budget of the Chinese Government for the second half of this year was made public on August 13, totaling CNC$323,621,500,000,000. The largest share, CNC$130,000,000,000,000, is appropriated for the Ministry of National Defense, which also receives the bulk of the secret "special budget". According to well-informed circles, the "special budget" is expected to equal or most probably exceed the ordinary appropriations.

An amount of CNC$37,000,000,000,000 was allocated for redemption of government bonds and repayment of loans. Nearly CNC$50,000,000,000,000 is given to the Ministry of Education, constituting approximately 15 percent as specified in the constitution.

The largest item of income listed is CNC$112,000,000,000,000 from commodity taxes.

It will be recalled that the regular national budget for the first half of this year was about CNC$96,000,000,000,000. As a result of the rapid depreciation of the Chinese currency, it is generally believed that the government will have to meet the six-month expenses by asking for special appropriations in addition to the announced budget.

Commenting on the new budget, the Shanghai Evening Post and Mercury editorialized: "We can give no formal comment on the new Chinese budget for the second half of 1948 calling for an expenditure of CNC$323 trillion. Without trying to be flippant over a most serious subject, we feel that the only sensible thing we can say is that it is good budget because it has all the figures right side up and that it is a constitutional budget because it earmarked 15 percent of the total expenditure to educational expenses—as duly provided by the constitution.

"But that's about as far as we can go in making any formal comment on the budget as such. The budget as is shown on paper is balanced. It anticipates receipts of CNC$323 trillion and expenditures of an equal amount. *Anticipates*—that's the rub.

"In China today, experience teaches even the most ignorant that it is foolish to anticipate things economic. If inflation and the resultant price rise in the next six months should follow the same pace of the last two months—all the budgetary figures—both receipts and expenditures—would be absolutely haywire. If prices jump by 200 percent by the end of this month, governmental expenditures must also increase by that amount. Thus the figure of CNC$323 trillion covering expenses for six months is only good as of the moment of its announcement. The government would at least need several times that amount to cover inevitable price increases and currency depreciation. That thesis is as true as night follows day. . .

"China has long come to a point where budgets, figures and plans will do the country no good. What is needed is vitality in leadership which is capable of meeting the various problems and putting the various plans into effect with courage and determination. Until that leadership emerges to take charge of a desperate—but by no means hopeless—situation, budgets and plans are only more formalities and decorative devices. . . The budget, while it shows a balanced income and expenditure, only underscores the urgent need for some kind of dynamic action now. Unless this is forthcoming within a short time, the budget as such would not be worth the paper on which it is written."

* * *

Two Policies

AUTHORITATIVE sources in Washington predicted that China will have made full use of the US$125,000,000 military aid fund by January and if the Republican Party then is in power the Chinese Government will make a new demand for a larger appropriation to fight the Communists. And if the Republicans are in power, more funds are likely to be granted than under the Democratic administration.

Observers believe that despite evidence that the Truman Administration is speeding up aid to China after some delay, the United States still has for practical purposes two policies on China.

One is full aid to the Chiang Government, which Congress favors under the leadership of Senator Bridges and Representative Walter Judd. The other is the Truman Administration's policy of granting aid but with the provision that such aid does not undertake responsibility for Nationalist policies. This is the reason why Bridges pointed out that "the policy which the Government has pursued in China in the last few years cannot by any stretch of language be termed a bipartisan policy."

In spite of talk about the difference between the Truman Administration and the Republican leaders, qualified observers stressed that as a matter of fact there isn't much difference. Both the Democrats and the Republicans favored aid to Generalissimo Chiang Kai-shek's government in fighting the Communists. The only difference is one of degree and speed. The Republicans are felt to be exaggerating this difference in order to make political capital out of it. And some observers even doubted whether the Republican leaders meant what they said at all. It is felt in some quarters that their utterances, in some cases, were designed more to embarrass Truman's Democratic Administration than to oppose Truman's policy.

* * *

China Program

HIGH-RANKING officials of the ECA in Washington disclosed that the ECA program is a two-way

affair. While foreign countries depend upon the United States for economic aid in speeding up their economic recovery, the United States also is looking to foreign countries for securing new supplies of scarce materials for military stockpiling. The ECA is authorized to barter or buy from Marshall Plan countries and their colonies goods needed for America's defense with regard to raw material reserves. A mission was to leave for Paris August 14 to discuss the development of such resources in Far Eastern territories of European nations.

The Stillman mission in China already has investigated the possibility of increasing production in China. China's aid program is separate from the European recovery plan. The ECA hopes to get rubber and tin from Malaya, and Indo-China. In the case of China, the United States wants additional supplies of tin, tungsten and antimony. It is revealed that Stillman has sent his experts as far as Yunnan Province to examine mines.

The China program, according to the ECA, has two parts. Firstly, there will be short-term purchases. This will be made directly by the United States federal bureau of supply and will not come out of ECA funds. Secondly, there will be long-term developments in which the ECA will participate. These funds will come out of China's $275,000,000 program and out of the local currency fund.

The ECA said the strategic materials program will fit into the China loan program. The idea would be to require China to earmark dollars earned by the sale of strategic materials for repayment of ECA loans.

Transportation is said to be a serious problem, however, as well as actual improvement of the mines. Therefore, some ECA experts are cautious about how much strategic materials the United States can get from China.

The Commerce Department said no Chinese antimony was shipped to the United States in 1947, although some was shipped this year. China exported 6,000,000 pounds of tin to the United States in 1947 when total United States imports of that metal were 56,000,000 pounds. China exported 2,314,000 pounds of tungsten to the United States in 1947 out of the total United States tungsten imports of 7,000,000 pounds. United States antimony imports in 1947 were 30,000,000 pounds.

* * *

China's Japan Policy

GENERAL Chang Chun, former president of the Executive Yuan, is expected to leave Nanking shortly on a short visit to Japan to study general conditions in post-war Japan and to confer with General Douglas MacArthur on the Japan issue. According to press reports, General Chang's mission is prompted by widespread apprehension about US occupation policies in Japan, which came to a head recently in student demonstrations and clamorings in the Legislative Yuan for investigation of conditions in Japan. The anti-American aid to Japan movement proved a troubling factor in Chinese politics. The Government is known lately to have been trying to find ways of placating the Chinese people's misgivings regarding the future of the ex-enemy state.

But an influential Government official in Nanking told the *Associated Press* that General Chang's projected visit was one of the resurgent undercurrents of the Kuomintang foreign policy. As the official sees it, Dr. Sun Yat-sen advocated friendly coexistence with Japan and this was a guiding principle of Kuomintang foreign policy from 1927 to 1937. China is a proverbial peace-loving country, he said, and seeks a just peace through war. "Be it regional collective security or anti-Communist alliance," he continued, "we cannot forever stand alone as a bulwark against Communist conquest of the world."

Asked whether a separate peace with Japan would break the existing treaty with Russia, he said it might take much time to win the peace.

It is interesting to note that General Douglas MacArthur has already informed General Chang Chun of his readiness and pleasure to talk things over.

* * *

Korean Republic

THE new Korean Republic was inaugurated at Seoul on August 15. The principal speaker on the occasion was General MacArthur, who stressed among other things that the barriers dividing the Russian-dominated North Korea and the new republic in the South, headed by President Syngman Rhee, "must and will be torn down." He further said that Korea's post-war "artificial" division is "one of the great tragedies of contemporary history" and may play its part in determining "the issue of a world at peace or a world at war."

Both the Chinese and United States Governments have granted de facto recognition to the New Korean Government. In announcing China's recognition, Foreign Minister Wang Shih-chieh said: "It has been China's long-cherished desire to see the restoration of independence to Korea." which he said has become the common commitment of the principal Allied powers since the Cairo Conference of 1943.

"But in spite of the defeat of Japan," the foreign minister continued, "the realization of Korea's independence has been much delayed. The United Nations Temporary Commission on Korea, through patient and judicious efforts, and in accordance with the resolutions of the General Assembly of the United Nations, has fulfilled its assignment in assisting in the birth of a truly democratic Korean government. After due consideration of all the factors involved, the Chinese Government deems it both her right and obligation to establish immediate relations with the Government of Korea."

The State Department issued a statement saying the anti-Communist government formed in South Korea as a result of the May elections "is entitled to be regarded as the government of Korea envisaged by the General Assembly resolution of Nov. 14, 1947."

De jure recognition will come after the United Nations General Assembly acts on the reports of the eight-nation UN Commission appointed to supervise the elections.

It is generally believed that a separate Government will be formed in Soviet-dominated North Korea, thus formally dividing Korea into two states.

* * *

Emergency Powers

After a brief stay at the summer resort of Kuling, President Chiang Kai-shek returned to Nanking on August 18. Rumors were current that the President would proclaim special emergency powers to cope with the present severe economic crisis and step up the Communist-suppression campaign, but such rumors were stoutly denied by official sources.

President Chiang's return to the capital was so unexpected that only two hours before he landed in Nanking a spokesman for Vice President Li Tsung-jen said the Vice President would fly to Kuling in response to the President's invitation.

The report that Chiang would return to Nanking to assume what amounts to dictatorial powers has been bouncing around Nanking for the past week without any indication of a factual basis.

While the increased use of emergency powers granted the President by the National Assembly has been under consideration by various government circles concerned, most observers feel President Chiang has no need at this time to assume any greater authority than he normally wields.

With the Legislative Yuan in recess, President Chiang unquestionally makes the final decision on any problem, military, political, or economic. In effect, he already holds—through practice as well as through the National Assembly's grant—what amounts to dictatorial powers if he wishes to use them.

Government spokesman Hollington Tong described as "untrue" a press report to the effect that President Chiang was hurrying back to Nanking to issue an emergency order placing the whole nation in a virtual state of siege. He added: "The President may return to Nanking but it will be to handle national affairs which require his attention and will be without special significance."

According to well-informed sources, there is no doubt that during meetings on Kuling's mountain top, President Chiang was striving desperately to find a way out of the military and economic dilemma into which China has fallen. But from here it appears that the bulk of reports which flow daily from Kuling are highly speculative.

However, it is generally believed that President Chiang will have to make some momentous decisions shortly, if he has not yet made any during his stay at Kuling.

US Magazine Roundup

Pacific Affairs

"JAPANESE Reparations: Fact or Fancy?" is the title of Martin Toscan Bennett's review of that controversial question published in the June 1948 issue of *Pacific Affairs*. The author starts with the arrival of the Pauley Mission in Japan on November 7, 1945, whose staff of experts was to map out an industrial removal program, "since obviously neither monetary reparations nor reparations from current production would be possible for a long time because of the collapsed condition of the Japanese economy and because such forms of reparations are basically unsound."

A month after his arrival, Ambassador Pauley announced the Interim Reparations Program which called for immediate removal of war facilities which might have peaceful uses in the economics of the countries which were victims of Japanese aggression. "Recommendations were made for removals of obvious excess capacities in other heavy industries so that the levels to remain after the Interim Reparations Program was effected would be adequate for the Japanese postwar economy judged by any standard."

Pauley, the article continues, made his report to the President the following April, "but by that time the macerating gears of international policy development had already begun....Time went on but there were no removals from Japan....An international conference on Japanese reparations was planned and a time and place were selected, but it was halted because of the refusal of the USSR to participate without first securing a committment that its actions in Manchuria would in no way get on the agenda. The whole reparations program remained at a standstill except for the never-ending grinding out of 'papers.' In the meantime, the State Department labored heroically in a program of emergency removals, seeking to start some movement of reparations towards the Far Eastern countries which had suffered extreme physical damage from Japanese occupation." However, their efforts produced no actual results.

The Pauley Mission was followed by a group of representatives of leading American engineering concerns whose task it was to rate and evaluate Japanese industrial plants in order to provide a complete, technical basis for reparations removals. A preliminary survey was conducted in early 1947 by an advance party of the group led by Clifford S. Strike, president of a prominent engineering firm. The main body of experts was formed into Overseas Consultants, Inc. (OCI) in the middle of 1947. Their report and recommendations, which appeared in February 1948, differed in many respects from both the original Pauley program and the compromise program worked out meanwhile between the Pauley and Strike groups.

The author continues his review with a breakdown of selected sections of the OCI recommendations to which he takes particular exception. For instance, he states that "Section B of the OCI report calculates new requirements for the Japanese economy largely based on 1937 levels of consumption adjusted for the increases in population expected by 1953. Apparently only a casual adjustment is made for military consumption in 1937. In fact, the war in China which started in 1931 appears to have been ignored....In some instances, the levels of industries proposed are greater than ever before suggested. Ingot steel production is recommended at seven million tons per annum, an amount almost equal to the average wartime production. Capacities of many industries are recommended to be left at present levels....OCI calculates the average daily per capita consumption of food during the period of 1930-34 at 1,008 grams, containing 2,240 calories and 70.1 grams of protein. This is the standard proposed for 1953. According to studies made by SCAP in 1945, in 1942 Japan had a per capita food allowance of 1,872 calories and 49 grams of protein; and this was at a time when the war was going Japan's way and she was profiting from the tremendous tributary areas of China, Manchuria, Formosa and Korea....

The attitude of the OCI towards Asia, claims Mr. Bennett, is summarized in one paragraph. "We realize that other Far Eastern countries are in need of industrial equipment, and the ultimate decision with respect to reparations should be based on a balancing of needs to obtain optimum benefits for the region as a whole. It is our opinion that this can be achieved most surely by leaving Japan free to reconstruct and use as quickly as possible the bulk of her industrial capacity." This paragraph constitutes the first premise and the conclusion of a syllogism. The second premise is hinted at further on. OCI believes that Japan should manufacture and export finished goods which would be sold or exchanged for raw materials from other Far Eastern countries....

"It seems to the present reviewer, prejudiced as he may be, that reparations policy should be returned to the basic philosophy underlying the Pauley report, namely, that the reparations program should be used as an instrument for Far Eastern policy. Its cost should be measured not in terms of the appropriations that General MacArthur must ask of Congress for Japan but in terms of what American long-term interests in the Far East will require, including unrepaid loans, military bases, lost investments, etc."

* * *

Saturday Evening Post

EDGAR Snow describes Pakistan, "The World's Queerest State" in the July 17, 1948, issue of the *Saturday Evening Post*, and in his article devotes several interesting paragraphs to that bone of contention between India and Pakistan, Kashmir. He quotes Jinnah as saying, "Geographically, economically, religiously, culturally, Kashmir belongs with Pakistan! If India hangs on in Kashmir, there can be no peace between us," and adds his own comment. "On this issue, at least, every Moslem seems to be a Pakistani."

"The most beautiful and potentially perhaps the richest of all the princely states of India, Kashmir is seven times as large as Belgium and would increase Pakistan's area by 28 percent," Mr. Snow continues. "By the terms of the partition agreement, Indian princes were to adhere to whichever dominion they chose. But it was 'implicit,' Jinnah claims, that majority-Moslem states neighboring Pakistan would join with it. Because the greater part of Kashmir's frontier lies with Pakistan and about four out of five of its inhabitants are Moslems, the state was expected to accede to Pakistan—an assumption dating back to the origin of the word. (Ali Jinnah coined the word Pakistan thus: P for the Punjab province. A for the Afghan tribes of the Northwest Frontier, K for Kashmir state, and "stan" from Baluchistan.)

"But Kashmir's Hindu ruler—the weak descendant of a maharajah installed by the British—showed signs of joining India instead. Pressure was needed. Pakistan abandoned the British outposts on the Afghan frontier and let the wild border tribesmen pour across her territory into Kashmir. Unofficially, Pakistan helped the invaders in transit with food, arms, equipment—and regular army officers. In a panic, the maharajah fled from his capital, using all available transport to haul away his wealth, furniture and wives, and signed an agreement to accede—to India. Nehru's cabinet then decided to rush troops by air to save Srinagar and expel the tribesmen.

"An undeclared war has been going on for Kashmir ever since. While Pakistan stubbornly backs an invasion behind a screen of tribesmen, the Indian armies continue to hold lovely Srinagar valley and about half the state, to defend the legality of the maharajah's accession to Delhi. This is not the place to examine the merits of conflicting claims, now being investigated by a UN committee of inquiry. But the Kashmir war must be noted as another—and one of the bitterest—fruits of partition...."

The Review's English Lesson—XLV

WE wish that readers who have questions or suggestions would not hesitate to send them in to us. Below we give the answers to some questions that have been submitted.

In reply to Mr. Chao Hsun Chuen of Shanghai we give fuller explanations of some of the terms used in our lesson of July 10:

tank town campaign rally—a tank town was originally a small town where trains stopped to get water and whose only distinguishing feature was a large water tank for that purpose; it now stands for any small town. A campaign is a series of operations to obtain some result, and in this instance meant political operations to win an election. A rally is a meeting for the purpose of arousing enthusiasm in a group. The whole expression as used in our lesson meant a political meeting in a small town.

meat-axe technique—as a meat-axe is a large, unwieldly instrument for cutting up animals, a "meat-axe technique" means tactics which are bold, crude and unsubtle.

The Hill—the United States Congress is located on a high hill in Washington, D.C. and, since there are few tall buildings in the city, the congressional buildings can be seen from a great distance. The use of "The Hill" to stand for "Congress" is a further example of the employment of a word expressing a part to signify a whole, as we illustrated in last week's lesson.

soapbox orator—one who in an open place makes a public speech, usually expressing his personal views, on any subject, and not necessarily a political one. As we wrote previously, there is a tradition in many of the Western democracies that a person can speak his opinions on any subject—except treason or violent overthrow of the Government—in public. Since such speakers often stand on a little wooden box in order to be better seen, they are called "soapbox speakers", because soap is generally packed in a small wooden box. London's Hyde Park, and in New York, Columbus Circle and Union Square, are famous for soapbox speakers.

A letter from Luther T. H. Ting asks how to read the following numerical expressions aloud:

World War III—read aloud as "World War Three", or you may transpose in reading and say "the Third World War," "III" is the Roman symbol or numeral for 3.

June 13—as no "th" is printed in this date you may use it or not as you like in reading the date aloud, saying either "June thirteen" or "thirteenth". It is, however, more common to add "th", "st", "rd", "nd", as required, than to omit them, and these endings are almost always used in the dates from 1 to 9.

CNC$1,200,000—orally expressed as "one million, two hundred thousand dollars, CNC.

* * *

This week we give a quotation from John Milton's *Areopagitica*.

"Though all the winds of doctrine were let loose to play upon the earth, so Truth be in the field, we do ingloriously, by licensing and prohibiting, to misdoubt her strength. Let her and Falsehood grapple: who ever knew Truth put to the worse in a free and open encounter?"

* * *

In watching out for current English words and expressions which you will commonly meet but which will not be found in a dictionary, we have found the *Review* to be a very fertile source. The following terms are taken from the *Review's* editorial section of August 7.

Page 275:

gave vent to (paragraph 3)—a "vent" is a small opening or passage for escape; hence the expression means "let out" or "uttered".

was in sufficient repair (paragraph 3)—was in good enough condition.

to have lost sight of the fact (paragraph 3)—to have forgotten. The expression comes from the implication that once something is out of view, it is out of mind, or, to use the familiar adage, "Out of sight, out of mind".

to tackle (paragraph 3)—to grapple or struggle with. This is a term used in the game of football to mean seize and stop the member of the other team who has the ball.

is not showing up very well (paragraph 6)—is not presenting himself very favorably. When "to show up" is used with an object, as "to show up someone", it means to outdo them by exposing your relative qualities, and here we infer that the subject has not made a favorable "showing" or display in contrast to someone not mentioned or in view of some qualities he might have but has not revealed.

take . . . . with considerable salt (paragraph 6)—add something of known value to something which is unsavory or doubtful. Salt has both a preservative and purifying quality when added to certain foods; hence "to take something with salt" means not to accept it at face value but to be skeptical and make your own additions.

Page 276:

haggling (paragrah 2)—quibbling or wrangling.

red tape (paragraph 4)—red tape is used to tie up official documents and the expression has come to mean official routine and delay.

it is a sure bet (paragraph 6)—it is certain. A bet is a wager or stake on the outcome of a contest and a sure bet is one that cannot be wrong.

half-baked (paragraph 9)—not completely thought out or constructed. A cooking term, this would mean that the food being cooked is only half done and therefore is still unpalatable and unacceptable.

What US Papers Say

CONGRESSIONAL hearings on wartime espionage in the United States, centering on revelations of self-confessed former Communist agents, have brought a flood of editorials in the US Press. China's relations with Soviet Russia and the question of US military aid to China were dealt with by two leading papers; while editorials commented on the extra session of Congress called by President Truman.

* * *

US Spy Scare

MOST newspaper comment on the subject of Communist agents in the US made the point that the testimony indicated, in broad outline, a Communist effort to infiltrate the Government and to obtain secret information for the Soviet Union. However, a majority of editorials warned against assuming without further proof the guilt of individuals alleged to have been implicated in the "spy ring," and many were critical of the committee procedure which, they charged, has ignored traditional US guarantees designed to protect the reputations of the innocent. Much press comment also warned against overemphasizing the importance of the espionage confessions, pointing out that the Soviet Union had direct access to most US war secrets during the period in question. Most of the charges came from Miss Elizabeth T. Bentley and Whittaker Chambers, admitted former Communist agents whose activities were long known to the Federal Bureau of Investigation. The following comment is typical:

The *Chicago Daily News*: "President Truman's great political stroke in calling the extra session of Congress has boomeranged. The spy story uncovered by the House Committee on Un-American Activities is strong political medicine for the Republicans."

The *Providence* (Rhode Island) *Evening Bulletin*: "It would be worse than stupid to dismiss Miss Bentley's testimony out of hand as Red-baiting. For the pattern of Communist activity in Washington that she is now drawing has already been indisputably established in Canada."

The *Philadelphia Inquirer*: "It is fair to assume from the gist of these investigations that Soviet espionage in America was well organized, that it produced a good deal of useful information for the Soviet Government, and that various persons in federal employ allowed the information to leak out. But it is well to remember that the Soviet Union was our ally during the wartime period which has been chiefly under discussion. This was not a case of giving out information to the enemy. It may have been in violation of security regulations. But it was not treasonable.

"To pass final judgment now on any of those (smeared) by the testimony to date would be a grossly un-American procedure. For the very thing we are trying to protect, in our opposition to Communist dictatorship, is the right of every citizen to be considered innocent until his guilt is proved. . . ."

The *New York Star*: "If half of what Miss Bentley has told the House Un-American Activities Committee is true, the proper place for some of the people she has named is in federal court, where they have an opportunity to defend themselves against formal charges of treason, espionage, service as unregistered agents of a foreign power, and violation of oaths of office. If what Miss Bentley has testified is the untruth, half-truth, the exaggerated product of an imagination working upon the gossip which flooded wartime Washington as it flooded other capitals, even a chance to defend themselves in public is inadequate protection of the innocent."

The *New York Times*: "If there is one thing above all others in our American way of life in which most thoughtful citizens take pride and in which they firmly believe, it is in the principles of civil rights enunciated in the First Ten Amendments to our Constitution . . . which made up what is popularly called our Bill of Rights. Among these are a guarantee against being called to answer for an infamous crime except upon grand jury indictment, a promise of open trial by a jury of one's peers, the right to confront one's accusers in open court after having been previously informed of the nature and cause of the accusations. We do not believe these fundamental rights are being observed today in Washington by the Congressional committees investigating Communism in the United States."

* * *

Congress Extra Session

MANY US newspapers, commenting editorially on the extra session of Congress which ended August 7, expressed dissatisfaction with the conduct of both the Truman Administration and Congress. Their feeling was that both Republicans and Democrats had been motivated chiefly by political considerations during a presidential election year and that the results have been largely negative for that reason. A number pointed out that the real judgment of the two parties would be made by the American voters in November.

Discussing the specific measures approved by Congress, most editorials expressed special satisfaction over the UN loan bill. On this point, the *Philadelphia Inquirer* said: "Even in an atmosphere of intense political bickering, Congress showed that it could maintain the bipartisan approach to foreign affairs by approving the UN loan. It is another encouraging sign of a determination to support the world organization as an agency for peace, in spite of its setbacks."

* * *

China: Russia & US Aid

A *Christian Science Monitor* editorial commenting on US Senator Styles Bridges' charges that the Administration was delaying the $125,000,000 military aid to China said recently: "It's one thing to make military aid available to China by a wave of the legislative wand. It's another thing to ensure some responsible degree of effectiveness in the use of that aid by the Nanking Government."

The paper recalled the government's losses of equipment through capture by the Reds, spoke of Chinese generals whose "armies" exist only on paper, and aded: "A mere $125,000,000 in military aid could be lost without any appreciable effect in such a situation . . . The tactics of deliberate delay (flayed by Bridges) are protecting an investment in real Chinese welfare."

The *New York Herald Tribune*, in an editorial entitled "China and Russia," said: "Chinese Government officials have been reluctant to condemn Russia in recent years, apparently because of lingering hope that they could improve relations with Moscow, but Premier Wong Wen-hao came close to breaking the rule in a recent speech. While he did not attack the Russians directly, he stressed the loyalty of the Chinese Reds to the Cominform and, as proof, pointed to a statement by the Chinese Communist Party in denunciation of Marshall Tito. The Premier then insisted that the Chinese Reds were much more red than they were Chinese and declared that their basic loyalty was not to China but to international Communism. In developing this theme Dr. Wong contrasted the attitude of the Chinese Communist leaders with the deep-rooted nationalism of most Chinese, who have longed for years to create a free, independent and united country.

"The nationalist spirit in China is fully as strong as the Premier indicated, and he and his associates, if willing to risk Russian anger, should be able to make effective use of the fact that no true Communist can be an honest nationalist. The same thing could be done by opponents of the Reds in other countries of Asia, particularly in countries that have recently won independence. Most of the people of Asia have the most intense antagonism to being ruled by foreigners. They would dislike the idea of receiving orders from Moscow just as much as they would dislike the idea of being ruled from any other capital in Europe or America. If they understood that their local Communists often receive instructions from abroad they would not react to the idea with enthusiasm."

What Chinese Papers Say

CHINESE resentment at the ECA China aid program took a new turn last week when a *United Press* dispatch from Washington quoted an ECA official as saying that the program might also revive trade relations, between China and Japan. It was suggested that Chinese natural resources and produces could be exported to Japan for processing and shipped back to China as finished products.

Until then Chinese opposition to the US China aid program had been sectional—among the leftist students, among the shipping people among Chinese and non-American importers, among the Communists and their fellow travelers, and among some government officials whose domains are not to be benefited by the program. But the Sino-Japanese trade revival proposal caused resentment among a larger public, if not the entire nation. It cost even Rep. Walter Judd, always considered one of China's best friends, some of his admirers. And the Chinese press last week was never so frank in the recent months in voicing its opposition to this proposal.

* * *

For Japan or For China

THE Kuomintang-supervised *Sin Wan Pao* discarded its usual compliance in an lengthy editorial which demanded to know if the China aid program was actually meant to be a Japan aid program.

A summary of the editorial said: "Due to the fact that the United States has again raised the question of Sino-Japanese trade, it will probably again become a much discussed issue. Judging by the views which they have expressed, it seems quite likely that US official quarters want to use the China aid program to bring about resumption of Sino-Japanese trade. The US feels that this would be beneficial to China, because Japanese manufactured products are cheaper than American and because shipping costs could be greatly reduced. This contention is quite convincing and is in line with the actual situation. But what is America's true motive in making this proposal? We believe it is America's intention to allocate a sum of money out of the US$275,000,000 for the purchase of China aid supplies in Japan (which will probably be reconstruction equipment, reconstruction materials, and fertilizers), so that Japan may obtain several millions of U.S. dollars in foreign currency. Thus, although the US$275,000,000 is called China aid, yet actually, it is intended also to aid Japan, which, as the Japanese would say, is a case of 'killing two birds with one stone.'

"Our position is this: While we do not oppose the resumption of trade between China and Japan, yet the question is how China's interests can be effectively protected. When at the beginning of the current year SCAP Headquarters formally reopened Japan to private trade, the Japanese authorities declared that they would like to purchase sugar, soya beans, salt and coal from China and that they were planning to export to China certain commodities, which were mostly luxuries and consumer goods. Evidently, such trade is unfavorable to China. While we can understand that 'Japan has to depend upon the China market for existence,' yet China is under no obligation to become a market for Japanese-made consumer goods, a point, which we find it necessary to make clear . . . . .

"Nor can we agree with Rep. Judd's views. He feels that within the next century there will be no industrial competition between China and Japan, but this estimate by him is quite open to question. It is well-known that the dumping of Japanese goods in China market in prewar days dealt a heavy blow to China's domestic industries. Then after SCAP reopened Japan to private trade early this year, large quantities of Japanese products were dumped in the Hongkong and South Seas markets, with the result that many factories in China forced to close down. This gives strong proof that there will be industrial competition between China and Japan.

"Trade between China and Japan could be resumed, but we must observe one principle, i.e., we must not allow such trade to adversely affect our domestic industries, and the goods we import from Japan must be confined to those which we urgently require and which must be purchased from abroad . . . . In a word, while we do not oppose the resumption of Sino-Japanese trade, yet we strongly oppose the view that there should be an 'agricultural China and an industrialized Japan."

* * *

Not Until Treaty Signed

Shun Pao chose August 13—the 11th anniversary of the Shanghai battle—to comment on the subject and took the line that it is unsound legally to resume trade with Japan before the formal peace treaty was signed. Conceding that trade relations may be resumed somehow, the paper said that China's one prerequisite for such resumption will be that "China's interests must be effectively protected."

Without mentioning the ECA proposal, it also implied that the US intention is to keep China agricultural and Japan industrialized. The paper warned: "In this matter, the Government authorities should not only respect the wishes of the people, but also be far-sighted and make a wise decision at an early date. They must not be interested only in some immediate minor advantage and neglect the long-range objective of safeguarding peace in the Far East."

Early Cooperation

Chung Hwa Shih Pao, organ of Young China Party which is in control of the Ministry of Industry and Commerce, conceded that economic cooperation between China and Japan "will sooner or later become a fact." The paper advocated:

"(1) We should bring about sincere technical cooperation between China and Japan at the earliest possible date. No one can deny that in industrial development, Japan is 50 years ahead of China . . . .

"(2) There should be a strict distribution of overseas markets between China and Japan . . . for otherwise both sides would suffer.

"(3) China and Japan should cooperate as closely as possible in shipping business.

"In a word, economic relations between China and Japan do not resemble those between Germany and France, but they resemble those between Germany and Soviet Russia. Both Germany and France are industrialized nations which have been developed to the saturation point, so there can be very little cooperation between them. As to Germany and Russia, the latter was originally an agricultural nation, while the former was one of the most highly industrialized nations in the world. That is why after 1922 Germany and Russia cooperated with each other economically for a long period of time, which made the rapid economic recovery of the two nations after the first World War. Although Russia has now emerged victorious and Germany has been defeated, yet the former is still doing its best to utilize the strong points of the latter, so that she may soon prove a match for the United States. This is something which deserves careful consideration by our Government and our people."

* * *

War Anniversary

ALL Chinese newspapers commented on the war anniversary on August 13, recalling how eleven years ago on that day the Japanese opened their drive in Shanghai.

The official *Chung Yang Jih Pao* took the opportunity to remind its readers that the main aim of China's eight years of resistance against Japan was to recover the Northeast provinces and "rescue out 30 million compatriots there from under the iron heel of the enemy." It then asked its readers:

"Yet, besides those residing in a few isolated cities, such as Chinchow, Mukden and Changchun, are our compatriots in the Northeast enjoying the warm affection of their Fatherland? Who is now controlling Port Arthur and Dairen, the two important ports which constitute the throat of the Northeast and which formerly were under the iron heel of the Japanese Army?"

NEW BOOKS OF INTEREST

Timely History

OLD CHINA HANDS AND THE FOREIGN OFFICE, *by Nathan A. Pelcovits. Published under the auspices of American Institute of Pacific Relations by the King's Crown Press, New York, 1948. Pp. 360; notes, bibliography, index. U.S.$3.75. Reviewed by Donald Roberts.*

THE title of this book indicates the nature of its interpretation, presenting as it does British Policy in China from the Tientsin Treaty of 1858 to the making of the Anglo-Japanese Alliance in 1902. Why this particular period? The answer is found in the interpretation. The author considers this a period in which Old China Hands did their best to dictate a British policy of intervention in China but were almost always rebuffed and in the end were defeated, chiefly because "the China trade, as the British Government saw it, would never be worth the expense of war or sovereignty."

A definite viewpoint always makes a book interesting. The traditional viewpoint has been, according to the author, that the British Foreign Office had its policy determined for it by the opinion of the British mercantile community — the Old China Hands. Whether there is any such traditional view is worth asking. But in any case, the author presents much new material in the form of mercantile opinion not found in the volumes of H.B. Morse or the shorter single-volume Morse and MacNair: Far Eastern International Relations. The material is largely from the minutes of the China Association, founded in 1889, from the records of the Board of Trade, from representatives of the British and Chinese Corporation, a syndicate mainly of the Hongkong and Shanghai Banking Corporation and Jardine, Matheson and Company, who perhaps best illustrate what Mr. Pelcovits means when he uses the term Old China Hands.

Was there then any "clash" between Old China Hands and the Foreign Office? And who are the Old China Hands in any particular period? Mr. Pelcovits makes the most of Old China Hand opinion of the years 1898-1899 when there was pressure to have Britain make the Yangtze Valley a "protectorate"—for that is what R. S. Gundry called the terms of the non-alienation agreement of 1898; and Mr. Pelcovits quotes the words of the London *Times*: "We are not in a mood to undertake another India." But when in 1899 R. S. Gundry on behalf of the China Association in London presented to the Foreign Office the recommendation of "effective occupation" of the Yangtze area and the idea was turned down by the Foreign Office, Mr. Pelcovits remarks, "The honeymoon between Old China Hands and the Foreign Office was at an end." This would be somewhat convincing were it not for the fact that on the preceding page we read: "Shanghai alone refused to be persuaded... a strong faction in the Shanghai Committee led by Leonard Kerr nevertheless insisted that an overt move of occupation by Britain would precipitate partition to the detriment of British commercial interests." This Shanghai committee in fact urged that there be no such occupation "until the policy of maintaining the integrity of this Empire is abandoned as hopeless, until in fact the integrity of China no longer exists." Do residents of Shanghai then not count as Old China Hands?

Mr. Pelcovits makes it out that the poorness of China as a market was the guiding argument in Britain's policy, but for the years of the late 'nineties it is evident that the competitive rivalries of Russia, Germany, and France were far more influential and made it impossible to think for a moment of "wanting another India in the valley of the Yangtze." Mr. Pelcovits in short has made the Old China Hand a literary symbol of an outmoded imperialism. But British merchants least of all expect their Foreign Office to hand its responsibilities over to them. The idea in other words has been overstrained for the sake of effectiveness.

Natural Disasters

CAUSES OF CATASTROPHE: *Earthquakes, Volcanoes, Tidal Waves, and Hurricanes. By L. Don Leet, Seismologist in charge Harvard University Seismograph Station. Whittlesey House, McGraw-Hill Book Company, Inc., New York: Reviewed by Donald Roberts.*

CATASTROPHE that is man-made belongs to our time, but this book has to do only with the catastrophes of physical nature—earthquakes, volcanic eruptions, tidal waves, hurricanes and typhoons. The author is a seismologist in charge of the Harvard seismographic station and it is understandable that he gives relatively far more space to earthquakes and to volcanoes than to tidal waves, hurricanes and typhoons.

A certain predictability is possible in respect to these influences—particularly earthquakes—the author points out. He would have the reader feel that the earth's crust is mobile, made up of great irregular blocks of rock "that toss like ice cakes on a heaving sea." The Lisbon earthquake of 1755 was preceded by two major shocks at intervals of roughly two hundred years; so Lisbon is possibly due to suffer another major earthquake "within this century." Volcanic eruptions also follow something of a pattern. Both earthquakes and volcanoes are effects of the breaking of the earth's crust, the process by which mountains are formed. The four ice ages had much to do with mountain formation. The processes are slow, but on one known occasion a part of land rose fifty feet out of the sea in a single earthquake.

One of Mr. Leet's chapters deals with mountain making and volcanoes in the Pacific. His style is essentially popular, but one has confidence in the authenticity of his information. But for the resident of the Far East the information given under the chapter title Hurricanes and Typhoons is very disappointing; the New England Hurricances of 1938 and 1944 receive all the attention, while typhoons of the coast of China are wholly ignored.

South Of The US

REVOLUTION BEFORE BREAKFAST: ARGENTINA 1941-1946. *By Ruth and Leonard Greenup. Chapel Hill, University of North Carolina Press, 1947. 266 pp. U.S.$4.00.*

DEMOCRACY AND EMPIRE IN THE CARIBBEAN: *A Contemporary Review. By Paul Blanchard. New York, Macmillan, 1947. 379 pp. U.S.$5.00. Reviewed by F. M. Roberts.*

REMOTE from us as these areas of the Caribbean and South America may seem, in reality the problems posed have their counterparts in certain areas of Asia. This does not imply that the solutions for Asia's problems are to be found in these books; they do show, however, the global nature of the difficulties which face peoples of the world.

Paul Blanchard, who writes on the Caribbean, was an official of the US State Department assigned to this post from 1942 to 1946. "I have built this book," he writes, "out of the words and lives of the people whom I met: editors, legislators, planters, labor leaders, lawyers, teachers, priests, house servants, cane cutters, governors."

The area discussed includes not only colonial areas but also the democratic states of Cuba, Haiti, and the Dominican Republic. But in all parts the masses of the people are pushing their demand for more power. The agrarian economy of the area, based on rum, bananas, and tourists, is too often operated, says the author, for the benefit of absentee capitalists.

His indictment of the colonial system is severe. Believing that the peoples of this region are not likely to initiate new forms of political or economic society, he wishes reorganization on a regional basis within the scope of the Trusteeship Council of the United Nations. The bibliography and notes suggest material for a thorough study of the questions raised by the author.

Peron, the most powerful figure in South America, and his wife Evita, keep Argentina well represented in the illustrated magazines. *Revolution Before Breakfast* not only gives an explanation of Peron's rise to power, but it is very interesting for its picture of life in Argentina.

The book is a happy combination of general description, straightforward reporting and political analysis which makes Argentina become alive for the reader. The husband and wife who wrote the book (it's a game to guess who wrote which chapter) were reporters on Buenos Aires English language newspapers through most of the period they describe. The reader will enjoy the experiences of life in Argentina.

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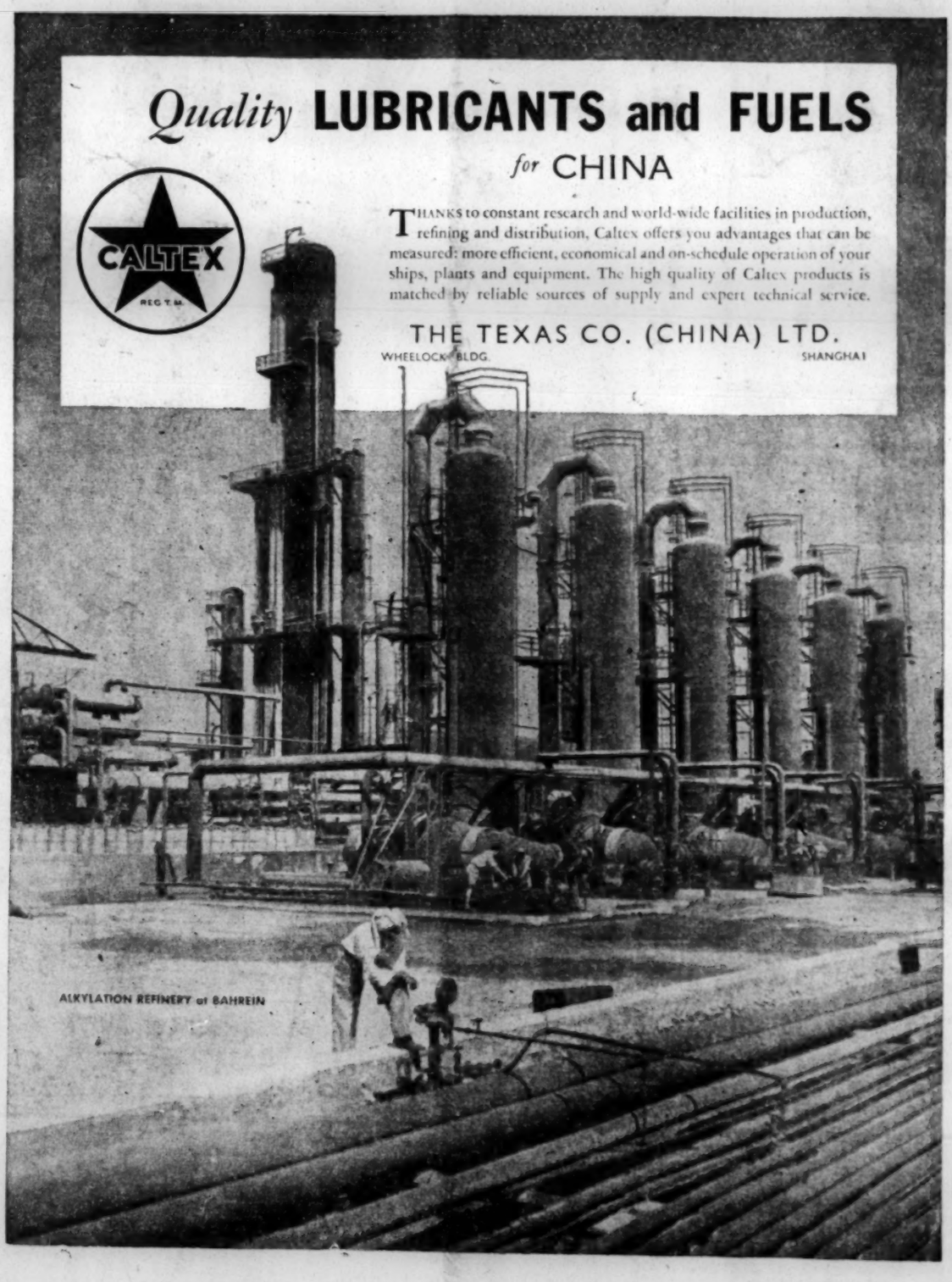

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